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WHEAT ACT OF 1960

STANFORD UNIVERSITY
MAY 1960
DOCUMENT DIVISION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

EIGHTY-SIXTH CONGRESS

SECOND SESSION

ON

S. 2759, S. 3159, and S. 3336

BILLS RELATING TO WHEAT MARKETING AND PRICE SUPPORT

FEBRUARY 3, APRIL 20 AND 21, 1960

Printed for the use of the Committee on Agriculture and Forestry

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CONTENTS

Statement of— Page

Baker, John A., director, legislative services, National Farmers Union 56, 199
Bayne, Glen, chairman, programs committee, National Association of Wheat Growers, Prosser, Wash 49
Bell, Claude, president, Rawlins County Wheat Producers, McDonald, Kans 229
Bruns, Carl, president, National Association of Wheat Growers, Chappell, Nebr 45, 87
Carlson, Hon. Frank, a U.S. Senator from the State of Kansas 80
Duncan, Russell, Fargo, N. Dak 242
Hamilton, W. E., director of research, American Farm Bureau Federation, Chicago, Ill 12
Kite, John L., representing the Cheyenne County Wheat Producers, St. Francis, Kans 229
Knappen, Charles B., Jr., representing the grain legislative committee, National Soft Wheat Millers' Association, and the Michigan Millers' Association, Augusta, Mich 228
Lynn, John C., legislative director, American Farm Bureau Federation 12
Marshall, Charles, president, Nebraska Farm Bureau Federation, Lincoln, Nebr., representing the American Farm Bureau Federation 12
McLain, Hon. Marvin L., Assistant Secretary of Agriculture 118
Newsom, Herschel D., master, National Grange 37, 181
Owens, Anthony C., representing the grain legislative committee, National Soft Wheat Millers' Association, Minneapolis, Minn 211
Parker, Joseph O., legislative counsel, National Grange 181
Shuman, Charles B., president, American Farm Bureau Federation 144
Smith, LeRoy K., vice chairman, programs committee, National Association of Wheat Growers, Fort Collins, Colo 87, 210
Sorkin, Martin, Assistant to the Secretary of Agriculture 118

Miscellaneous documents:

S. 2759, 86th Congress 5
Comparison of S. 2759 and S. 1968, 86th Congress 8
Table, wheat production and supply 14
Table, wheat utilization 14
Table, growth of the wheat surplus problem 15
Background statement on the wheat situation, submitted by the American Farm Bureau Federation 31
Draft of bill by the American Farm Bureau Federation 35
Letter from Senator Church 61
Explanation of S. 2759 63
S. 3159, 86th Congress, and explanation 64
S. 3336, 86th Congress, and explanation 70
Committee print of proposed wheat program and explanation 71
Editorial, Kansas City Star, March 20, 1960 83
Editorial, Lincoln Evening Journal and Nebraska State Journal, February 19, 1960 85
Letter to Senator Carlson from Wesley Lucas, Farm Bureau policy chairman, Satanta, Kans 86
Comments by the National Association of Wheat Growers on analyses of S. 3159 111
Table, export subsidy per bushel of wheat 119
Draft by bill recommended by the Department of Agriculture 130
Statement filed by Gerald C. Stover, representing the Thomas County Wheat Producers, Colby, Kans 131
Analysis of S. 3159 by the American Farm Bureau Federation 148
Chart, estimated 1958 performance of small wheat farms 194
Charts and tables on wheat production and supply, by kinds 218
Statement filed by Senator Bennett 248
Letter from Senator Murray and Senator Mansfield 249

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MAY 1960

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WHEAT ACT OF 1960

WEDNESDAY, FEBRUARY 3, 1960

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to call, at 10:05 a.m., in room 324, Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Humphrey, Symington, Proxmire, Hart, Aiken, Young of North Dakota, Hickenlooper, Mundt, and Schoeppel.

Also present: Representative Breeding.

The CHAIRMAN. The committee will come to order.

A few weeks ago the committee decided to permit me, as chairman of the committee, to set a date for hearings on wheat legislation. The committee had in mind then, I believe, the bill, S. 2759, that I introduced on January 7, 1960.

It is my belief, and I believe the thoughts of quite a few members of the committee, that the wheat legislation as contained in S. 2759 is probably the only kind of wheat legislation that could be enacted by the Congress during this session.

Last year this committee spent considerable time in an effort to present wheat legislation to the Congress. We then considered all bills before us. And the only one that the committee as a whole would agree to report out was the one that was passed by the Senate, S. 1968. And the bill was debated in the Senate and sent to the House.

The House had its own version.

The House struck out everything but the enacting clause of our Senate bill, and put its own version in. And we went to conference with the managers on both sides.

The conferees agreed to what I thought at the time, and I still think so, was a fair bill, and one that should receive the endorsement of the administration. True, it was a stopgap bill, but it was certainly much better than the law which was then on the statute books. I have no doubt but that the administration used its influence in the House.

Later, the Senate was compelled to take the House bill. And, unfortunately, the President vetoed that bill.

The bill that is now before us follows very closely the bill that was agreed to in conference last year. I am very hopeful that we can enact some wheat legislation. I am very hopeful that we can use this bill as a basis for such legislation, because I believe it is along the lines

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of the thinking of many of the House of Representatives, as well as Members of the Senate.

Frankly, I believe that a bill along this line is about the only kind of wheat legislation that will be enacted during this session.

I want to make it very clear that if anybody else has any new ideas and believes that a bill of another character which is better than this can be enacted, I shall do all I can in order to present it to the Senate and to have action on it, because it is my firm belief that unless something is done in order to change the present laws affecting wheat, that if this commodity is permitted to be produced far in excess of our needs, that it may have a bad effect on all farm legislation.

I have been approached by many members of the committee to have the hearings extended so as to give opportunity to the wheatgrowers from the Northwest, in particular—and in fact in other parts of the country—to present a new two-price plan that is now being perfected. Whether or not such a bill would have a chance to pass and receive the blessings of the President and Secretary Benson remains to be seen, but I doubt it very seriously.

I wish further to state that we proposed to have hearings yesterday, and those who were to appear were to be representatives of the Department of Agriculture. I received a telephone message from Mr. McLain day before yesterday suggesting that the Department preferred to wait until all witnesses who desire to present their testimony had been heard, and thereafter the Department would come in and make its own suggestions.

I am sorry, but without consulting the members of the committee, I told Mr. McLain that I thought that it would meet with the approval of the committee, because in the past we have taken such steps, particularly when we have had so many hearings on the wheat problem, and due to the fact, also, that it would be difficult for me to conceive that any new methods of approach on this bill would come forth.

Senator AIKEN. May I expand a little on that, Mr. Chairman?

The CHAIRMAN. Yes, sir; indeed.

Senator AIKEN. I should like to expand on that request of Mr. McLain. I think one of the reasons, if not the real reason, that the Department of Agriculture asked to have their testimony postponed is that they knew or had found out that the President intends to send a special agricultural act message to the Congress tomorrow, and they did not want to scoop the President, which seemed to me to be a very good reason.

I am familiar with some of the things that the President will have in this message, although I have heard that it has been expanded considerably since I saw it. And without expressing any opinion on the message at all, I do want to say that that is probably the real reason that they want their testimony postponed and not particularly because they wanted the other witnesses to appear first.

The CHAIRMAN. Well, I am sure that the President's plan has already been scooped 3 or 4 days ago.

Senator AIKEN. A couple of years back.

The CHAIRMAN. Yes. There is nothing new in it that I can see that has not already been considered in some form or fashion by this committee. That is the reason why I advocated at our last meeting—and I believe I was backed up by quite a few members of this com-

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mittee—that we have had so many hearings on the wheat problem, that we have enough testimony and evidence before us to write almost any kind of bill.

But the thing that I want the witnesses of today to bear in mind is simply this: Do not present a bill that we believe will not become law, because it is a loss of time to go into it. It may be that in years to come the two-price system may be the order of the day, I do not know, but everybody knows that we tried on a trial basis to put the two-price plan in on rice, and we could not get the Department to take action.

You remember that, Senator Aiken.

And here, as I understand the plan to present it is a two-price system, but with something different from those that have already been presented to the committee.

I am sure that the members of the committee, as I have already said, as chairman, will be glad to get any plan presented to it, but I want the people who present the plans to realize not only must this committee be satisfied, but you have the House to satisfy, as well as the Chief Executive and the Secretary of Agriculture.

With the situation as it now is in the Congress, the President has so often been sustained in his vetoes that if any of us learn that a bill we consider to be good, does not receive the blessings of the President and the Secretary of Agriculture, why, I have no doubt but that such a bill will be vetoed and we cannot override the President on the question. We might as well know about that.

And I want to say this to you, gentlemen, that I believe it is incumbent upon this Congress to do something about the wheat problem. I am very hopeful that you will forget any previous disagreements, and let bygones be bygones, and try to get something that we can pass.

I repeat that last year this committee spent many, many days in thrashing out every proposal that was presented to us, and that was true not only of last year but the years before, and the only thing that we could come out with was something along the line that is incorporated in S. 2759.

It is true that this bill is by no means perfect, but it seeks to close the many loopholes in the present wheat law. And in the course of 2 years it will reduce the present wheat acreage to 42 million acres.

Why did we select the 42 million acres? Because we are informed that on that amount of acreage we can produce about our domestic needs plus our export needs. And over the years to take a little from our surpluses. We hope that can be done.

Does any member of the committee wish to make any comments?

Senator YOUNG of North Dakota. I would like to make this comment: The President's message on the farm program has not come over yet. Perhaps the newspapers have it. I know that one of them called me yesterday. They have some details on it.

The CHAIRMAN. They all have it.

Senator YOUNG of North Dakota. What I gather from information given to me on it is that we would not be able to get anything by the Secretary of Agriculture, Mr. Benson, and the President except exactly the program that Benson wants. Even the plan which you propose, Mr. Chairman, would not be acceptable, and it is too tough for me to vote for. I think it is utterly hopeless to try to get anything through.

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The CHAIRMN. I do not mind you calling this my bill, but as you know, it is the bill that was worked upon last year, not only by this committee, but in conference.

Senator YOUNG of North Dakota. Yes.

The CHAIRMAN. The only difference between this bill and the one agreed to in conference is that the conference bill is to last for 2 years. The support price was to be 80 percent, with a 20 percent cut. In this case we are putting, I believe, wheat in the same category as cotton and rice, and the same category as corn, except that there is a limitation on the acreage that can be planted. That is the only difference.

Senator YOUNG of North Dakota. And that is a vast difference.

The CHAIRMAN. Yes, I know that it is; I know that. Do not think for a moment that I do not sympathize with the wheatgrowers. You know that they have a good thing now. And before they turn loose that program, why, we are going to have to give them something that will receive their support. And I believe that will be a hard nut to crack.

As far as I am concerned, I am willing to sit here as long as anybody else will sit in an effort to get some kind of wheat legislation put through. I think it is imperative that we do something.

Senator MUNDT. May I express my appreciation for that last part of your statement which you made also in a letter which I received today, in which you stated that this hearing was to be limited to 2 or 3 days—and the impression had gotten out which did not properly describe your attitude, that you were willing to sit here and work with this problem until we had heard those who had ideas to present, and that we wanted to explore fully and completely the subject, to find an adequate answer.

You put that in the letter that I received, which was in response to one I wrote you urging that the hearings do give consideration to those constructive positions available, and that the time limit be determined by the evidence, rather than by the calendar or the clock on the wall.

The CHAIRMAN. Senator Mundt, as you will recall, the committee authorized me to look into the matter and to fix the hearings on a date of my choosing.

Senator MUNDT. Right.

The CHAIRMAN. When I sought to fix the date last week, the wheatgrowers from the Northwest wanted 10 days. We added on to from the time we were supposed to sit, and the 10 added to it made it as of yesterday.

Senator MUNDT. They wanted 10 days in which to get ready, not 10 days before the committee.

The CHAIRMAN. Yes, 10 days before the hearing started.

We did fix the hearings—at least I did—as of yesterday and today and, if the committee wants to go on here today and tomorrow and then postpone it for 2 weeks, I will have no objection to it, except to say this, that the longer you postpone it, the less chance you have of enacting any kind of wheat legislation.

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You are going to get into a little filibuster in the next 2 weeks, in which I am going to participate very vigorously.

Senator MUNDT. And which has nothing to do with the wheat bill—let us make that clear.

The CHAIRMAN. That is right. I was hoping since the Senate and since the Congress had already passed upon a bill similar to the one I am presenting, that we could just push that through without any difficulty.

Senator MUNDT. You are optimistic. We appreciate your spirit.

The CHAIRMAN. I am not that optimistic, sir.

Are there any further statements?

First I wish to place in the record at this point a copy of S. 2759. As I stated a moment ago, although the hearings will be more or less to obtain information on S. 2759, the committee will be delighted and glad to hear of any other plans or any other suggested changes to the pending legislation.

Senator MUNDT. Will you also place in the record immediately after the bill the comparative analysis which the staff has prepared?

The CHAIRMAN. Yes.

At this point, at the suggestion of Senator Mundt, I ask that there be incorporated the analysis of what the Congress did the last session, both before this committee, on the Senate floor, in conference, as compared with the bill that is the subject of the hearings today.

(S. 2759, and the document referred to above are as follows:)

[S. 2759, 86th Cong., 2d sess]

A BILL To strengthen the wheat marketing quota and price support program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title I of the Agricultural Act of 1949, as amended, is amended by adding the following new section:

"SEC. 106. Notwithstanding the provisions of section 101 of this Act, for each of the 1961 and subsequent crops of wheat price support shall be made available as provided in this section. The support price for each such crop shall be as follows:

"(i) 80 per centum of the parity price therefor for the 1961 crop,

"(ii) 75 per centum of the parity price therefor for the 1962 crop,

"(iii) 70 per centum of the parity price therefor for the 1963 crop, and

"(iv) 65 per centum of the parity price therefor for the 1964 and subsequent crops.

Wheat of any such crop shall be eligible for price support only if the farm on which the wheat is produced is in compliance with the farm wheat acreage allotment for such crop. Wheat of the 1961 crop shall be eligible for price support only if the total acreage on the farm devoted to the production of crops supported under the Agricultural Act of 1949, as amended, which would normally be harvested in 1961 does not exceed the total average annual acreage on the farm devoted to the production of such price supported crops for harvest in 1958 and 1959, less an acreage equal to 20 per centum of the farm acreage allotment for the 1961 crop of wheat which would be in effect for the farm except for the reduction thereof as provided in section 334(c)(2) of the Agricultural Adjustment Act of 1938, as amended: *Provided, however*, That a farm shall be deemed in compliance with the foregoing requirements for price support for the 1961 crop of wheat if no crop other than wheat supported under the Agricultural Act of 1949, as amended, is produced on the farm for harvest in 1961, and the farm is in compliance with the farm wheat acreage allotment. In accordance with regulations prescribed by the Secretary, the acreage of such price supported crops for 1958 and 1959 may be adjusted for abnormal weather conditions,

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established crop-rotation practices for the farm, diversion under soil bank programs, and to reflect acreage history preserved under section 377 of the Agricultural Adjustment Act of 1938, as amended, to the extent of any unused allotment not diverted to the production of such price supported crops. For the purposes of this section a producer shall not be deemed to have exceeded the farm acreage allotment or the acreage or permitted price supported crops for the farm unless the producer knowingly exceeded such allotment or permitted acreage. In addition, for the 1961 crop of wheat, if marketing quotas are in effect and the producers on the farm meet the foregoing requirements for price support and, in accordance with regulations prescribed by the Secretary, designate an acreage on the farm equal to the 20 per centum reduction in the farm acreage allotment required under section 334(c)(2) of the Agricultural Adjustment Act, as amended, and do not produce any crop thereon which is normally harvested in the calendar year 1961 and do not graze such acreage during such year, such producers shall be entitled to a wheat payment in kind from Commodity Credit Corporation stocks equal in value to one-third of the average annual yield in bushels of wheat per harvested acre on the farm for the three years immediately preceding the year for which the designation is made, adjusted for abnormal weather conditions and as determined under regulations prescribed by the Secretary, multiplied by the number of designated acres. Such wheat may be marketed without penalty but shall not be eligible for price support. The payment in kind shall be made by the issuance of a negotiable certificate which Commodity Credit Corporation shall redeem in wheat equal to value to the value of the certificate. The certificate shall have a value equal to the number of bushels determined as aforesaid multiplied by the basic county support rate per bushel for number one wheat of the crop normally harvested in the year for which the acreage is designated and for the county in which the designated acreage is located. The wheat redeemable for such certificate shall be valued at the market price thereof as determined by Commodity Credit Corporation. The Secretary shall provide by regulation for the sharing of a certificate among producers on the farm on a fair and equitable basis. The acreage on the farm which would otherwise be eligible to be placed in the conservation reserve program for 1961 shall be reduced by an amount equal to the required reduction of 20 per centum under section 334(c)(2) of the Agricultural Adjustment Act of 1938, as amended, for the wheat crop of the corresponding year. Price support under the foregoing provision of this section shall be made available only to cooperators and only if producers have not disapproved marketing quotas for the crop. In case marketing quotas are disapproved, price support to cooperators shall be as provided in section 101(d)(3)."

SEC. 2. (a) In lieu of the provisions of items (1) of Public Law 74, Seventy-seventh Congress, as amended, the following provisions shall apply to the 1961 and subsequent crops of wheat:

"(1) If a national marketing quota for wheat is in effect for any marketing year, farm marketing quotas shall be in effect for the crop of wheat which is normally harvested in the calendar year in which such marketing year begins. The farm marketing quota for any crop of wheat shall be the actual production of the acreage planted to such crop of wheat on the farm less the farm marketing excess. The farm marketing excess shall be an amount equal to double the normal yield of wheat per acre established for the farm multiplied by the number of acres planted to such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with regulations prescribed by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established the farm marketing excess shall be such actual production less the actual production of the farm wheat acreage allotment. Actual production of the farm wheat acreage allotment shall mean the actual average yield per harvested acre of wheat on the farm multiplied by the number of acres constituting the farm acreage allotment. In determining the actual average yield per harvested acre of wheat and the actual production of wheat on the farm any acreage utilized for feed without threshing after the wheat is headed, or available for such utilization at the time the actual production is determined, shall be considered harvested acreage and the production thereof in terms of grain shall be appraised in accordance with regulations prescribed by the Secretary and such production included in

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the actual production of wheat on the farm. The acreage planted to wheat on a farm shall include all acreage planted to wheat for any purpose and self-seeded (volunteer) wheat, but shall not include any acreage that is disposed of prior to harvest in accordance with regulations prescribed by the Secretary."

(b) Notwithstanding the provisions of item (2) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340(2)), the rate of penalty on wheat of the 1961 and subsequent crops shall be 65 per centum of the parity price per bushel of wheat as of May 1 of the calendar year in which the crop is harvested.

(c) In lieu of the provisions of item (3) of Public Law 74, Seventy-seventh Congress, as amended, the following provisions shall apply to the 1961 and subsequent crops of wheat:

"(3) The farm marketing excess for wheat shall be regarded as available for marketing, and the penalty and the storage amount or amounts of wheat to be delivered to the Secretary shall be computed upon double the normal production of the excess acreage. If the farm marketing excess so computed is adjusted downward on the basis of actual production, the difference between the amount of the penalty or storage computed on the basis of double the normal production and as computed on actual production shall be returned to or allowed the producer or a corresponding adjustment made in the amount to be delivered to the Secretary if the producer elects to make such delivery. The Secretary shall issue regulations under which the farm marketing excess of wheat for the farm shall be stored or delivered to him. Upon failure to store, or deliver to the Secretary, the farm marketing excess within such time as may be determined under regulations prescribed by the Secretary the penalty computed as aforesaid shall be paid by the producer. Any wheat delivered to the Secretary hereunder shall become the property of the United States and shall be disposed of by the Secretary for relief purposes in the United States or foreign countries or in such other manner as he shall determine will divert it from the normal channels of trade and commerce."

(d) Item (7) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340(7)), is amended to read as follows:

"(7) A farm marketing quota on any crop of wheat shall not be applicable to any farm on which the acreage planted to wheat for such crop does not exceed fifteen acres: *Provided, however*, That a farm marketing quota on the 1961 and subsequent crops of wheat shall be applicable to—

"(i) any farm on which the acreage of wheat exceeds twelve acres;

"(ii) any farm on which any wheat is planted if no wheat was planted on such farm for harvest in the calendar years 1958, 1959, and 1960; and

"(iii) any farm on which any wheat is planted if any of the producers who share in the wheat produced on such farm share in the wheat produced on any other farm."

(e) Item (12) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340(12)), shall be applicable with respect to the 1961 and subsequent crops of wheat.

(f) In lieu of the provisions of section 326(b) of the Agricultural Adjustment Act of 1938, as amended, the following provisions shall apply to the 1961 and subsequent crops of wheat:

"(b) If a farm is in compliance with its farm acreage allotment for any crop of wheat and the actual production of such crop of wheat on the farm is less than the normal production of the farm wheat acreage allotment, an amount equal to the deficiency may be marketed without penalty from wheat of previous crops stored by the producers on the farm to postpone the payment of marketing quota penalties."

SEC. 3. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(a) Section 334 is amended by inserting "(1)" after "(c)" and adding a new subparagraph (2) following subparagraph (c)(1) to read as follows:

"(2) Notwithstanding any other provision of law, each old or new farm acreage allotment for the 1961 and subsequent crops of wheat as determined on the basis of a minimum national acreage allotment of fifty-five million acres shall be reduced by the following per centum: (i) 20 per centum in the case of the 1961 crop, and (ii) 25 per centum in the case of the 1962 and subsequent crops. In the event notices of farm acreage allotments for the 1961 crop of wheat have

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been mailed to farm operators prior to the effective date of this subparagraph (2) new notices showing the required reduction shall be mailed to farm operators as soon as practicable."

(b) Section 334 is further amended by inserting a new paragraph (d) between paragraphs (c) and (e) to read as follows:

"(d) For the purposes of subsections (a), (b), and (c) of this section, any farm—

"(1) to which a wheat marketing quota is applicable; and

"(2) on which the acreage planted to wheat exceeds the farm wheat acreage allotment; and

"(3) on which the marketing excess is zero

shall be regarded as a farm on which the entire amount of the farm marketing excess has been delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone the payment of the penalty."

(c) Subsection (f) of section 335 is amended by striking out the semicolon at the end of item (1) and adding "and shall not apply to other farms with respect to the 1961 and subsequent crops;".

(d) Section 362 is amended by deleting the second sentence thereof.

(e) Subsections (b) and (c) of section 335 of the Agricultural Adjustment Act of 1938, as amended, are hereby repealed and subsection (d) of said section is repealed effective beginning with the 1961 crop of wheat.

SEC. 4. Section 101 (d) of the Agricultural Act of 1949, as amended, is amended by striking out paragraph (5).

SEC. 5. This Act may be cited as the "Wheat Act of 1960".

STAFF COMPARISON OF S. 2759 AND S. 1968

I. BRIEF COMPARISON

S. 2759 is identical to the conference substitute proposed for the House amendment to S. 1968 except for changes in dates and except that S. 2759 would—

(1) be permanent beginning with the 1961 crop;

(2) provide wheat price support at 80 percent of parity for the 1961 crop, 75 percent for the 1962 crop, 70 percent for the 1963 crop, and 65 percent for the 1964 and subsequent crops;

(3) reduce each 1961 farm wheat acreage allotment by 20 percent, and each 1962 and subsequent farm wheat acreage allotment by 25 percent (below what it otherwise would be—rather than successive 25 percent reductions);

(4) provide only for 1961 for (i) payments in kind for not harvesting or grazing, and (ii) conservation reserve ineligibility; and

(5) omit the $35,000 wheat price support limitation.

A detailed comparison of S. 2759 with various forms of S. 1968 follows:

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II. COMPARISON OF S. 1968, AS (I) PASSED BY THE SENATE; (II) AMENDED BY THE HOUSE; AND (III) AGREED TO BY THE COMMITTEE OF CONFERENCE WITH S. 2759. (UNLESS OTHERWISE INDICATED ALL PROVISIONS RELATE TO WHEAT. AS INDICATED, MOST PROVISIONS OF S. 1968 WERE APPLICABLE ONLY TO THE 1960 AND 1961 CROPS, WHILE S. 2759 WOULD BE APPLICABLE TO 1961 AND SUBSEQUENT CROPS)

S. 1968, as passed by the Senate Column 1	S. 1968, as amended by the House. (After the House failed to agree to the conference report, the Senate agreed to the House amendment and the President vetoed the bill in this form) Column 2	S. 1968, as recommended by the committee of conference Column 3	S. 2759 Column 4
(1) Provided price support *for the 1960 and 1961* crops at— (i) 65 percent of parity if the producer elected to plant his full allotment, (ii) 75 percent of parity if the producer elected to plant not more than 90 percent of his allotment, (iii) 80 percent of parity if he elected to plant not more than 80 percent of his allotment, CCC minimum resale to be based on alternative (ii).	For the *1960 and 1961* crops, provided price support at 90 percent of parity, and reduced each farm acreage allotment by 25 percent.	For the *1960 and 1961* crops, provided price support at 80 percent of parity, and reduced each farm acreage allotment by 20 percent.	Would provide price support at 80 percent of parity for the 1961 crop, 75 percent for the 1962 crop, 70 percent for the 1963 crop and 65 percent for the 1964 and subsequent crops; and would reduce each 1961 farm acreage allotment by 20 percent, and each 1962 and subsequent farm acreage allotment by 25 percent.
(2) No provision	Conditioned *1960 and 1961* crop price support on reducing farm acreage of price supported crops below the *1957–1958* average by an acreage equal to the *25 percent* reduction in the wheat acreage allotment.	Conditioned *1960 and 1961* crop price support on reducing farm acreage of price supported crops below the *1957–1958* average by an acreage equal to the *20 percent* reduction in the wheat acreage allotment.	Would condition *1961* crop price support on reducing farm acreage of price supported crops below the *1958–1959* average by an acreage equal to the *20 percent* reduction in the wheat acreage allotment.
(3) No provision	Provided for *1960 and 1961* crops for a payment in kind—equal to one-third of the average annual wheat yield—for the acreage representing the *25-percent* reduction, if such acreage was not harvested or grazed.	Provided for *1960 and 1961* crops for a payment in kind equal to one-third of the average annual wheat yield—for the acreage representing the *20 percent* reduction, if such acreage was not harvested or grazed.	Would provide for *1961* crop for a payment in kind—equal to one-third of the average annual wheat yield—for the acreage representing the *20-percent* reduction, if such acreage is not harvested or grazed.
(4) No provision	Provided that the acreage represented by the *25-percent* reduction would be ineligible for the conservation reserve for *1960 and 1961*.	Provided that the acreage represented by the *20-percent* reduction would be ineligible for the conservation reserve for *1960 and 1961*.	Would provide that the acreage represented by the *20-percent* reduction would be ineligible for the conservation reserve for *1961*.
(5) Provided *1960 and 1961* crop price support only in the commercial area and only if acreage allotments in effect.	Same as column 1.	Same as column 1.	Same as column 1, except effective for 1961 and subsequent crops.
(6) Provided *1960 and 1961* crop price support at 50 percent of parity to *cooperators only* if marketing quotas disapproved.	Provided *1960 and 1961* crop price support at 50 percent of parity *to cooperators and noncooperators* if marketing quotas disapproved, *CCC minimum resale price in in such case to be based on an assumed support price of 75 percent of parity.*	Same as column 1.	Same as column 1, except effective for 1961 and subsequent crops.

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S. 1968, as passed by the Senate Column 1	S. 1968, as amended by the House. (After the House failed to agree to the conference report, the Senate agreed to the House amendment and the President vetoed the bill in this form) Column 2	S. 1968, as recommended by the committee of conference Column 3	S. 2759 Column 4
(7) For the *1960 and 1961* crops, imposed penalties on the actual yield of the excess acres (or double the normal yield if the actual yield was not shown).	For the *1960 and 1961* crops, imposed penalties on the actual yield of the excess acres (or double the normal yield if the actual yield was not shown); *except that if the actual yield did not exceed the normal yield of the farm acreage allotment, the marketing excess would be reduced to zero.*	Same as column 1.	Same as column 1, except effective for 1961 and subsequent crops.
(8) For *1960 and 1961* crops, increased marketing penalty to 65 percent of parity.	Same as column 1.	Same as column 1.	Same as column 1, except effective for 1961 and subsequent crops.
(9) For *1960 and 1961*, reduced the 15-acre exemption to 12, and restricted it to farms which planted wheat in 1957, 1958, or 1959, and to producers who produce wheat on only one farm.	Reduced the 15-acre exemption to the smaller of: (A) 12 acres, or (B) the highest acreage planted in 1957, 1958, or 1959.	Same as column 1.	Same as column 1, except effective for 1961 and subsequent crops.
(10) Made the 200-bushel exemption inapplicable for *1960 and 1961*.	Repealed the 200-bushel exemption.	Repealed the 200-bushel exemption.	Would repeal the 200-bushel exemption.
(11) For *1960 and 1961* the 30-acre limitation on the feed wheat exemption would be removed.	Same as column 1.	Same as column 1.	Same as column 1, except effective for 1961 and subsequent crops.
(12) For *1960 and 1961*, restricted to farms complying with their allotments the right to withdraw wheat stored from a previous crop to avoid penalty.	No provision.	Same as column 1.	Same as column 1, except effective for 1961 and subsequent crops.
(13) No provision.	Prevented acreage history penalty where, by reason of production failure, the producer had no marketing excess which he could store to avoid such penalty.	Same as column 2.	Same as column 2.
(14) Limited price support (*all commodities*) to $35,000 per producer per year.	Limited price support *for wheat* to $35,000 per producer per year.	Same as column 2.	No provision.
(15) Repealed Secretary's discretionary authority to support prices to non cooperators (wheat, cotton, rice, peanuts, or tobacco).	No provision, but see item (6) above.	Same as column 1.	Same as column 1.
(16) No provision	Based eligibility for voting in a wheat marketing quota referendum on compliance with allotments in the year in which the referendum was held (rather than on being subject to the quota being voted on).	No provision.	No provision.
(17) No provision	Repealed a provision requiring the county agent or the local committee chairman to keep an additional copy of the acreage allotment list for each commodity.	Same as column 2.	Same as column 2.

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Senator YOUNG of North Dakota. Could I make a statement first?

The CHAIRMAN. Yes, surely.

Senator YOUNG of North Dakota. I realize that wheat is in rather a serious situation and something must be done about it, but I want to emphasize that wheat is not in as much trouble as the feed grains.

I have before me a bulletin from the Department of Agriculture entitled, "Stocks of Grains in All Positions," dated January 6, 1960.

It reads:

> Stocks of corn, wheat, and sorghum grain in all positions on January 1 continued at record levels. Corn stocks of 4.5 billion bushels were more than a tenth above the record level of January 1, 1959, with wheat and sorghum grain 3 and 25 percent, respectively, above the previous record holdings. Soybean stocks remained near the record level of a year ago, but oat, barley, and rye stocks dropped well below a year earlier and flaxseed stocks were down sharply. Stocks of feed grains—corn, oats, barley, and sorghum grains—totaled 171 million tons, nearly a tenth above the previous record of 156 million tons in storage January 1, 1959.

Let me read some of the stocks on hand. As of January 1, 1960, here is the record:

Wheat in all positions		1,810,356,000
Rye		19,864,000
Corn		4,453,242,000
Oats	bushels	775,046,000
Barley		360,518,000
Sorghum	bushels	902,036,000
Soybeans	do	454,479,000

When wheat is in surplus, it is a burden upon the Government and the taxpayers, but when feed grains are in surplus, it is not only a burden on the taxpayers, but it has a serious effect, as everyone knows, on the prices of meats and dairy products.

In my humble judgment, we are in more serious trouble in the feed grains than we are even in wheat.

The feed grain stocks have been accumulating year by year at a rapid rate, since 1953.

And with respect to feed grains legislation Secretary Benson has exactly what he wants.

The CHAIRMAN. I was going to ask you a question.

Senator YOUNG of North Dakota. When we enacted the corn program Secretary Benson thanked each one of us with a letter.

The CHAIRMAN. Of course, I was glad to have that, but I believe that sooner or later we will lose sight of the paternity of that bill. It will be somewhat like the soil bank.

The soil bank was presented to this committee. I reluctantly voted for it. I am sure members of this committee did the same thing.

But the Department insisted on it, wanted it, and was very hopeful that it would cure all of the evils confronting the surplus proposition.

So long as the plan worked fairly well, why, Mr. Benson claimed paternity of that plan, but the unfortunate thing about it all is that the huge amount of money that was paid by the Treasury, in order to carry out the soil bank program, was used as a springboard by Mr. Benson and others to give a black eye to the rest of the farm program.

That is what I did not like, and do not like now.

Senator AIKEN. I would like to point out in regard to the so-called surplus feed grains that this is just January and we did not finish the

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harvest of corn more than a month or two ago, and we have got to feed it from now until next October when the new crop comes on.

With the expanded feeding program that we have, feed grains will disappear tremendously. We are feeding an additional 200 million bushels of feed grains per year, which is about our normal increase.

But feeding at the rate of 400 million bushels a month during the next 8 months will reduce our stocks one-half.

Senator YOUNG of North Dakota. Will you yield?

Senator AIKEN. Yes.

Senator YOUNG of North Dakota. I think that the disappearance for 1 year has been about 3.5 billion, and we produced 4.4 billion last year.

Senator AIKEN. We have gone to about 3,850 million this year, it is estimated, and sorghum grain consumption has also gone up.

We had a short crop of oats last year, and it is hoped that some of the land that went into corn and wheat will perhaps go back into oats. But there has been a tremendous increase in the feeding of grains, and we should consider that.

The CHAIRMAN. Suppose we go on with the wheat subject now?

Senator AIKEN. One thing that we agree on is that something ought to be done about wheat, but I have not found any substantial number of people who agreed on just what should be done.

We hope that we can do something. I am with you on that.

The CHAIRMAN. You may proceed.

May I state that our first witness is Mr. Charles Marshall of the American Farm Bureau Federation.

STATEMENTS OF CHARLES MARSHALL, PRESIDENT, NEBRASKA FARM BUREAU FEDERATION, LINCOLN, NEBR., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION; JOHN C. LYNN, LEGISLATIVE DIRECTOR; AND W. E. HAMILTON, DIRECTOR OF RESEARCH, AMERICAN FARM BUREAU FEDERATION, CHICAGO, ILL.

Mr. MARSHALL. My name is Charles Marshall. I am president of the Nebraska Farm Bureau Federation, and a member of the American Farm Bureau Federation board of directors.

I operate wheat lands in western Nebraska, as well as some general farming operations in the eastern part of the State. They are small, however.

I should like to have the appendages, which are a part of this paper, to be incorporated into the record as a part of our presentation.

The CHAIRMAN. That will be done. They will be made a part of the record.

Mr. MARSHALL. We appreciate the opportunity to present Farm Bureau's views on the current wheat problem and the legislation that is needed to solve it. This is a subject of major concern to us since more than 500,000 of our 1,600,000 members grow wheat.

Since we presented a rather complete analysis of the present wheat program and the surplus situation that has developed under it to this committee on March 23, 1959, we will not take the time for a detailed analysis of these subjects at this time. We would, however, like to call attention to the attached exhibit A, which brings up to date some of the charts that were presented last March.

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The wheat situation is critical and can be expected to grow worse as long as the present program is continued without change.

The major reasons for this are as follows:

(1) The national allotment cannot be reduced below the 55 million acres that has been allotted for each crop since that of 1954.

The CHAIRMAN. Would you mind being interrupted?

Mr. MARSHALL. No.

The CHAIRMAN. What do you think that the minimum ought to be—the minimum percentage that should be adopted as the minimum?

Mr. MARSHALL. It should be a minimum which should be arrived at, if we are going that route, by calculating what is needed to fit into supply, demand, and so on.

The CHAIRMAN. But suppose that you were a member of this committee and you were faced with this proposition, that it would appear that the majority of this body of this committee desired actually to fix a minimum initially, the same as we did in cotton and rice, what figure would you say would be the most acceptable?

Mr. MARSHALL. I do not have research on that, because we are recommending that we move away from minimums and controls.

The CHAIRMAN. Proceed. I thought that you could give us that information.

Mr. MARSHALL. (2) Nonquota acreage—principally that grown for market under the 15-acre exemption—is free to continue expanding.

(3) Per acre yields are trending upward, at least in part as a consequence of the relatively high price guaranteed for eligible wheat and limited acreage permitted under the present program.

(4) Domestic consumption of wheat has been rather constant for several years, with a declining rate of consumption per capita just about offsetting increases in population. Assuming that we are able to prevent further declines in per capita consumption, the increase in domestic consumption that can be expected from population growth is small in relation to current surpluses and our capacity to produce wheat.

(5) Exports currently are holding to a high plateau, but no wheat is being moved abroad except for subsidized sales and giveaway programs. Consequently, our present wheat export market is highly artificial.

Senator YOUNG of North Dakota. Will you yield to a question at that point?

Mr. MARSHALL. Yes.

Senator YOUNG of North Dakota. When did we feed much wheat outside of the war years?

Mr. MARSHALL. We fed quite a little bit of wheat—that subject will come up later—these charts will show that—in 1941, and we have it listed over here on the next page of our paper, page 3, the number of millions of bushels and the years, with the exception of 1937 to 1941, where there is an average for that. These figures are outlined here.

Senator YOUNG of North Dakota. If I may interrupt you again, according to your own chart the estimated feed use in 1959 is 63 million, and the highest it ever got before, outside of the war years, was 111 million bushels. So it would not make much difference, a

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difference of 40 or 50 million bushels—which is a long ways from solving our wheat problem.

Mr. MARSHALL. We know that there has to be more than just the feed program; that this is one of the factors involved, however.

(6) In recent years, the gap between support prices for wheat and corn has widened, with the result that wheat has largely been priced out of the domestic feed market, which once absorbed a substantial portion of the crop.

Recent developments in the production, consumption, and export of wheat are summarized in the following tables.

(The tables referred to are as follows:)

Basic statistics on wheat, 1937–41 average; annual, 1948–59

I. WHEAT PRODUCTION AND SUPPLY

	Harvested acreage	Yield per harvested acre	Production	Carryover, July 1	Total supply [1]
	Thousand acres	*Bushels*	*Million bushels*	*Million bushels*	*Million bushels*
1937–41 average	59,049	14.5	858	230	1,090
1948	72,418	17.9	1,295	196	1,492
1949	75,910	14.5	1,098	307	1,408
1950	61,607	16.5	1,019	425	1,456
1951	61,873	16.0	988	400	1,420
1952	71,130	18.4	1,306	256	1,584
1953	67,840	17.3	1,173	606	1,784
1954	54,356	18.1	984	934	1,922
1955	47,285	19.8	935	1,036	1,981
1956	49,784	20.2	1,004	1,033	2,045
1957	43,806	21.7	951	909	1,870
1958	53,404	27.4	1,462	881	2,351
1959	53,024	21.3	1,128	1,279	2,415
1960 [2]				1,376	

II. WHEAT UTILIZATION

	Domestic human consumption		Feed	Seed and industrial uses	Total domestic disappearance	Exports	Total disappearance
	Total	Per capita					
	Million bushels	*Bushels*	*Million bushels*	*Million bushels*	*Million bushels*	*Million bushels*	*Million bushels*
1937–41 average	494	3.77	117	76	687	64	751
1948	481	3.28	105	95	681	504	1,185
1949	492	3.30	111	81	684	299	983
1950	493	3.25	109	88	690	366	1,056
1951	497	3.22	103	89	689	475	1,164
1952	489	3.11	82	89	660	318	978
1953	487	3.05	77	70	634	217	851
1954	486	2.99	60	65	611	274	885
1955	482	2.91	51	68	601	346	947
1956	482	2.87	47	58	587	550	1,137
1957	484	2.83	39	63	586	403	989
1958	492	2.83	71	66	629	443	1,072
1959 [2]	500	2.82	63	66	629	410	1,039

[1] Includes imports.
[2] Estimate.

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Basic statistics on wheat, 1937–41 average; annual, 1948–59—Continued

III. GROWTH OF THE WHEAT SURPLUS PROBLEM, 1948 TO DATE

[Million bushels]

	Beginning carryover	Production	Imports	Utilization	Addition to stocks
1948	195.9	1,294.9	1.5	1,185.1	111.3
1949	307.3	1,098.4	2.2	983.2	117.4
1950	424.7	1,019.3	11.9	1,056.1	−24.9
1951	399.9	988.2	31.6	1,163.7	−143.9
1952	256.0	1,306.4	21.6	978.5	349.5
1953	605.5	1,173.1	5.5	850.6	328.0
1954	933.5	983.9	4.2	885.4	102.7
1955	1,036.2	934.7	9.9	947.4	−2.8
1956	1,033.4	1,004.3	7.8	1,136.7	−124.6
1957	908.8	950.7	10.9	989.4	−27.8
1958	881.0	1,461.7	7.8	1,071.9	397.6
1959	1,278.6	1,128.2	8.0	1,039.0	97.2
1960 [2]	1,375.8				

[2] Estimate.

It is abundantly clear from the foregoing that our capacity to produce wheat, even under the strictest controls permitted by the present law, is substantially greater than the volume that can be moved into domestic consumption and export under existing programs.

Our wheat stockpile has grown year by year with but a few exceptions—despite the strictest controls permitted by present law, and extraordinarily successful efforts to export the problem through foreign currency sales, barter, direct subsidies, and outright gifts.

In the 1958–59 marketing year, record yields resulted in the addition of a staggering 398 million bushels to our wheat stockpile. The total supply of wheat on hand July 1, 1959, was approximately 2.3 times as great as 1958–59 domestic use and exports. Although production dropped 334 million bushels, or 22.8 percent, in 1959 as the result of reduced yields, we will still add almost 100 million bushels to the surplus during the current marketing year.

The Commodity Credit Corporation is being forced not only to carry the surplus, but also a part of the reserve stocks that normally would be carried by the trade. As of November 30, 1959, the CCC's investment in wheat amounted to $3,456 million on 1,426 million bushels—including wheat in inventory and under price support loans. Although wheat accounted for only 6.2 percent of total farm receipts from marketings in the 5 years 1954–58, it accounted for 36.2 percent of the CCC's total investment in commodities as of last November.

Senator YOUNG of North Dakota. I am not quite clear on your figure of $3,456 million. Does that include loan and the grain that the Government has acquired?

Mr. MARSHALL. And the inventory.

The mounting surpluses and rising costs resulting from the present wheat program are a threat not only to the future well-being of wheat farmers, but also to the entire farm price support program.

Action to solve the wheat problem must not be delayed any longer, as each delay merely aggravates the problem and increases the magnitude of the adjustments that ultimately will have to be made. Quick action will be necessary if legislation is to be enacted in time to apply to the 1961 crop. The present law provides that the national wheat acreage allotment must be announced not later than May 15; however, the deadlines established by the existing program must not be used as an excuse for postponing action another year.

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S. 2759

The chairman's bill, S. 2759, which is now before the committee, reflects a recognition of the seriousness of the present wheat problem. Although some of the provisions of this bill are rather drastic, it would not change the basic approach of the present law, which is to support prices without regard to market demand and restrict acreage. In summary, the major provisions of S. 2759 appear to be as follows:

(1) The support level, currently 75 percent of parity, would be raised to 80 percent of parity for the 1961 crop, then lowered to 75 percent for 1962, 70 percent for 1963, and 65 percent for 1964 and subsequent crops.

(2) Acreage allotments, determined on the basis of a minimum national allotment of 55 million acres, would be reduced 20 percent for the 1961 crop, and 25 percent for the 1962 and subsequent crops.

(3) Wheat of the 1961 crop would be eligible for price support only if total acreage on the farm devoted to price-supported crops does not exceed the average acreage devoted to price-supported crops for harvest in 1958 and 1959 less an acreage equal to 20 percent of the wheat allotment the farm would receive under the law now in effect.

(4) If marketing quotas are in effect in 1961, and farmers do not harvest or graze a designated acreage equal to the proposed 20-percent cut in wheat allotments, they would be entitled to a wheat "payment in kind" from Commodity Credit stocks equal in value to one-third of the average annual yield in bushels of wheat per harvested acre on the farm for the 3 immediately preceding years multiplied by the number of designated acres.

(5) The definition of the term "farm marketing excess" would be tightened to make it more difficult for producers to sell wheat produced on acreage in excess of farm allotments without paying the marketing quota penalty.

(6) The penalty rate on excess wheat would be increased from 45 to 65 percent of parity.

(7) The marketing quota exemption would be reduced from 15 to 12 acres; restricted to farms that seeded wheat for harvest in 1958, 1959, or 1960, and limited to cases where the producers sharing in the production do not share in the wheat produced on any other farm.

Enactment of this legislation would reduce the acreage devoted to wheat by reducing acreage allotments and tightening provisions that have encouraged overplanting, particularly under the marketing quota exemption.

In our opinion, S. 2759 would also work a hardship on traditional wheatgrowers and throw a substantial part of the adjustment burden on the producers of feed grains and livestock in an unfair manner, without providing a real solution to the basic wheat problem. It retains relatively high price supports and moves in the direction of more stringent Government controls. Our members want less, not more, Government controls.

The reduction in production which might result from the bill would not be proportionate to the proposed cut in acreage. Producers would retire their less productive acres. The combination of reduced allotments and the levels of price supports that are proposed would stimulate further efforts to increase yields through the seeding of highly

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productive varieties regardless of their milling quality, the use of fertilizer, and irrigation wherever practical, and the rapid adoption of new technology. Acreage would be forcibly reduced in low cost acres—some of which have no satisfactory alternative to wheat. At the same time, high cost areas would be encouraged to stay in wheat even though they may have other alternatives.

While the proposed "payment in kind" program probably would materially reduce the shifting of diverted acres to other grains in 1961, this would be true for only 1 year. In 1962 and thereafter—when a 25-percent cut in present wheat allotments would be in effect—wheat producers would be free to shift their diverted acres to other crops. This inevitably would shift a large part of the adjustment burden to the producers of feed grains and livestock. A 1-year program for retiring land from production would lay the basis for an increase in total farm production the following year.

The CHAIRMAN. What would you extend it to?

Mr. MARSHALL. Three to five.

The CHAIRMAN. How is that?

Mr. MARSHALL. It ought to be 3 to 5 years taken out for a long period of time.

The CHAIRMAN. What would you do with that land?

Mr. MARSHALL. Put it into some soil-building practice, and no grazing whatever.

The CHAIRMAN. And the farmers would not be permitted to take the grass off or to use it?

Mr. MARSHALL. Yes; that's right, similar to the soil bank.

In order to contribute to the solution of the overall agricultural adjustment problem, a land retirement program must take land out of production for at least 3 to 5 years.

Under present conditions the support level of 65 percent of parity for wheat, the lowest level contemplated in S. 2759, would mean a guaranteed price of $1.54 per bushel. Such a price would encourage continuing efforts to maintain wheat production at a high level without opening up the new markets that are essential to the solution of the wheat problem.

Senator YOUNG of North Dakota. You do not think that 65 percent, which is the minimum now on corn, encourages greater production; is that your position? It is all right to have 65 percent for corn, but not for wheat?

Mr. MARSHALL. We were not for it on corn, either. It was in the bill.

Senator YOUNG of North Dakota. How low would you want it on corn?

Mr. MARSHALL. Well, it ought not to have a fixed floor of this nature. That was our position under corn.

Senator YOUNG of North Dakota. How low would you want price supports for corn?

Mr. MARSHALL. We supported the bill which was 90 percent of the 3-year marketing average.

Senator YOUNG of North Dakota. But that could go down to practically nothing. What floor would you put under it?

Mr. MARSHALL. It would not go down "to practically nothing," if we would let the market work.

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Senator YOUNG of North Dakota. It would not take many years, I would say.

Mr. MARSHALL. Why not?

Senator YOUNG of North Dakota. You think that the price support for corn of $1.12 last year was too high?

Mr. MARSHALL. It was higher than the year before.

Senator YOUNG of North Dakota. Do you think it was too high? You can answer that "Yes" or "No," can you not?

Mr. MARSHALL. For the farmers who were getting it, it was not too high, but for the good of the program, the long-range program, it was plenty high.

Senator YOUNG of North Dakota. Thank you.

The CHAIRMAN. What would be your minimum for wheat, have you any idea?

Mr. MARSHALL. We will get into that later in our statement.

The CHAIRMAN. Very well.

Since you mentioned this figure of $1.54 per bushel as too high, I thought that you might put in what your idea was.

Mr. MARSHALL. One hundred and twenty percent of the price support of corn, that would be the lowest price it would go to the first year.

The CHAIRMAN. One hundred and twenty percent of the price of corn?

Mr. MARSHALL. The price support of corn, which, under the existing circumstances of the corn bill, would be about $1.30 for wheat the first year of the program.

Senator YOUNG of North Dakota. That is only for the first year.

Mr. MARSHALL. Yes.

Senator YOUNG of North Dakota. But after that it could drop to a lower level?

Mr. MARSHALL. Yes. But it would still be tied to the price support of corn.

Senator YOUNG of North Dakota. But your 120 percent is only for 1 year?

Mr. MARSHALL. That is right, only for 1 year.

At $1.54 per bushel, wheat would still be priced out of the domestic feed market and wheat exports would still be completely dependent on special Government aids, such as direct subsidies, foreign currency sales, famine relief, and barter transactions.

From a practical standpoint there are about four things that we can do with wheat. We can eat it, export it, feed it to livestock, or store it. It seems fairly clear that the American people are eating all the wheat they want. We have pushed exports about as far as we can without incurring the open enmity of exporting nations whose friendships we value. We obviously cannot go on building storage stocks indefinitely. The remaining alternative is to increase the use of wheat as livestock feed.

Senator MUNDT. You could use wheat for industrial purposes, farm chemurgy, and the field of synthetics. There is a great deal of exploration which members of this committee feel should be done and could be done. We should create limitless uses for wheat, and we could do so, once you find the proper formula and gear it to commercial use.

Mr. MARSHALL. We are for that, Senator Mundt, whatever can be accomplished.

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Senator MUNDT. So that there are more than four sources.

Mr. MARSHALL. We will have that additional one. Whenever it can be economically accomplished, it has a potential.

Senator MUNDT. To what price would you have to bring each bushel down to—not fancy formulas of parity or percentages of the price of corn—at what price would you have to bring wheat down, in your opinion, for use as livestock feed?

Mr. MARSHALL. We refer to that just a little bit later in the statement, because it depends on the corn. Wheat has a historical relationship in regard to its nutrient value and the difference in pounds per bushel. And we will cover these in our recommendations.

Senator MUNDT. You put a dollar-and-cents tag on it?

Mr. MARSHALL. Yes, sir.

Senator MUNDT. Very well.

FARM BUREAU'S RECOMMENDATIONS

Mr. MARSHALL. Farm Bureau believes that new wheat legislation must be developed to meet four major objectives. These are: (1) To encourage market expansion; (2) to reduce production incentives; (3) to minimize economic hardships on wheatgrowers; and (4) to avoid shifting the burden of adjustment to producers of other farm commodities.

The achievement of these objectives will require the enactment of four specific provisions, all of which are essential parts of the total solution. Specifically, we recommend that legislation be enacted to (1) eliminate all acreage allotments and marketing quotas, effective with the 1961 crop of wheat. This would permit each wheatgrower to determine for himself the acreage of wheat on his farm which would make the most efficient use of his land, labor, and machinery. It would leave the traditional wheatgrower free to produce wheat at what he feels to be his lowest possible unit cost of production.

The CHAIRMAN. That would put wheat in the same category as corn.

Mr. MARSHALL. Yes; to some degree.

The CHAIRMAN. What you have in mind is unlimited acreage?

Mr. MARSHALL. Yes.

(2) Base price supports for wheat—beginning with the 1961 crop—on the support level for corn, with adjustments for differences in weight, nutritive value, and buyer preference. However, for the 1961 crop of wheat the price support would not be less than 120 percent of the price support for corn.

Senator AIKEN. That is for 1961, for that year only?

Mr. MARSHALL. Yes.

Senator MUNDT. Do you want to tell us in dollars and cents what that will be?

Mr. MARSHALL. $1.30, about.

Senator MUNDT. $1.30?

Mr. MARSHALL. It would be about $1.30.

Senator YOUNG of North Dakota. If corn was $1.12 a bushel, how do you get that, if you put it on a comparative basis?

Mr. MARSHALL. The present bill continues, if it does, without alteration, there will be a slight drop in the corn price, which will make this figure. And if you figure back from 65 percent of parity that is where you come to; 65 percent on corn is as far down as it can go.

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Senator YOUNG of North Dakota. That is right. If corn was $1.10, and if you based price support for wheat on that, on the feed value equivalent of corn in dollars and cents, what would that be now?

Mr. MARSHALL. Around $1.30.

Senator YOUNG of North Dakota. Secretary Benson testified last year that it would be around $1.18 a bushel.

Senator AIKEN. If you based the rest of your formula on this, it would be impossible for the minimum to prevail except in 1961, would it not?

Mr. MARSHALL. How is that?

Senator AIKEN. Your other formula, basing it on the average market price of the last 3 years, would make it impossible for the minimum floor to prevail, would it not?

Mr. MARSHALL. We are tying this to corn.

Senator AIKEN. You are not going to the 3-year average?

Mr. MARSHALL. No.

Senator AIKEN. That makes a bigger drop.

Mr. LYNN. Whichever is the highest.

Senator AIKEN. Wouldn't your 3-year formula price be the highest in 1961?

The CHAIRMAN. That is a pertinent question. Will you answer it?

Senator AIKEN. Could your minimum of 120 percent of the corn price prevail in view of the other recommendations which you have?

Mr. LYNN. Yes, sir. This is based on the assumption that the price support of corn in 1960 will be, roughly, $1.08 per bushel. And we say that the price support for the 1961 wheat crop, which must be announced prior to the planting of wheat, would be 120 percent of $1.08. This is the way we arrive at the $1.30 figure.

Senator AIKEN. Then your percentage of the previous 3-year average price would not go into effect or would not effect the 1961 crop?

Mr. LYNN. It always would be tied to the price support of corn.

Mr. MARSHALL. Which is based on the 3-year average. The wheat is tied to the corn, which is a different approach.

Senator AIKEN. That is a different approach than you have had in other years.

Mr. MARSHALL. Yes.

The CHAIRMAN. With respect to corn it would never go below 65 percent.

Mr. MARSHALL. That is right, under the existing legislation.

Senator MUNDT. Are you proposing, Mr. Marshall, a series of price supports for wheat depending upon the differences of wheat in nutritive value and buyer preference? Your statement seems to imply that the price supports for wheat are based on the support level of corn. Would the adjustments for the differences in weight, the nutritive value, prevail?

Mr. MARSHALL. It would be a national average figure which is used at the present time—differentiating between them.

Senator MUNDT. All right.

Mr. MARSHALL. We do not mean different prices, but these are the factors that would be used in arriving at the national average figure to establish that.

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Senator MUNDT. You would still give the same price supports to wheat, whether it is good wheat or hard wheat or bad wheat or hog feed or red wheat—you would treat them all alike?

Mr. MARSHALL. We have at the present time grades, locations, and so on and so forth. This is one of the things that is wrong with it. We have been paying the same cash price for stuff that ought not to be in there.

Senator MUNDT. But you prefer to continue doing that which was wrong in the past, and have the same price for all wheat?

Mr. MARSHALL. No, we do not wish to continue something that is wrong; however, it would go into feed under our proposal and the buyer will take care of some of that.

Senator YOUNG of North Dakota. Your statement is not quite correct that you treat all wheat alike. It is discounted, some 20 cents a bushel for poor quality and there is a premium for wheat of higher protein.

Mr. MARSHALL. But the price support is only at one level. They only set one point.

Senator YOUNG of North Dakota. The farmer who produces premium wheat gets a higher price support for the higher quality.

Mr. MARSHALL. Yes. Your State gets the benefit from that, because they produce a high quality wheat.

Senator YOUNG of North Dakota. Yes.

Mr. MARSHALL. The price support for corn under current legislation (the Agricultural Act of 1958) is set at (a) 90 percent of the national average price received by farmers for corn during the preceding 3 years, or (b) 65 percent of parity, whichever is higher. The 1959 national average price support for corn is $1.12 per bushel, which is 90 percent of the average price received by farmers in 1956, 1957, and 1958.

Senator YOUNG of North Dakota. May I ask a question at this point?

Mr. MARSHALL. Yes.

Senator YOUNG of North Dakota. How much additional wheat do you think will be fed under this kind of a program?

Mr. MARSHALL. This would have to be a guess, Senator. There is no way of being sure until we get to the place where you start using it, but the corn people feel that there would be quite a little corn put on the market and fed, or, I should say wheat put on the market and fed, but if it is put in on this basis they have no objection to it. A recent Senate document indicates that we might feed upward of 350 million bushels.

Senator YOUNG of North Dakota. But you already have a bad feed grain situation and more is piling up year by year. And this last year the buildup was much faster. Sorghums, for example, increased by 25 percent.

If you are going to feed more wheat, will you not aggravate the feed grain situation more?

Mr. MARSHALL. I do not think so.

Senator YOUNG of North Dakota. What do you attribute that to?

Mr. MARSHALL. In the first place, the situation in these other feed grains, on an average, other than in the case of corn, did not increase their production to any great extent. Soybeans is way down. And

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soybean prices are up. And there is a reduction in others, which are way down. That is, the actual number of oats available for feed at the present time is lower.

Consequently, when you get the total the increase was not so particularly astounding, when you consider the fact that there were 6 7/10 million acres of ground that were in the acreage reserve the previous year that went back into production this year, when that program was discontinued. And the weather was exceptionally favorable. It did not happen to be, however, on my farm. I almost had a crop failure.

Senator MUNDT. You would modify that by the fact that you increased your conservation reserve?

Mr. MARSHALL. Yes.

Senator MUNDT. There was an increase in the conservation reserve. I do not know what the exact figures will show.

Mr. MARSHALL. You will have to take that into account.

In addition there is, also, this fact, this past year there was a reduction in the number of acres of alfalfa. And that is a feed unit. The price of alfalfa at my place a year ago, 1958 crop, sold for $8 a ton in bales. And this year I am offered $22 and I have still got it. And I may take $20, but I am sure that I can get $20. There has been a reduction in total feed.

These are, also, feed units, so far as the maintenance and operation of the livestock operation of the farm is concerned.

Senator YOUNG of North Dakota. I just read a little while ago the figures on the buildup of the feed grain stocks. And it is amazing that sorghum is practically the same as corn, it is up 25 percent over a year ago. The production of corn is up about 600 million bushels more than a year ago.

If you are going to feed more wheat you will aggravate your feed grain situation which, in my opinion, is far worse than the wheat situation.

The CHAIRMAN. This is a new approach, of course, as I can see. I am just wondering why it is that you attach the price of wheat to the price of corn—what is the idea?

Mr. MARSHALL. There is a relationship between these two crops. The feeding value is about the only common denominator.

The CHAIRMAN. So far as feeding stocks are concerned.

Mr. MARSHALL. There is a relationship. I used to feed a lot of wheat to hogs.

The CHAIRMAN. This is a new approach?

Mr. MARSHALL. That is right. It is a different approach.

Senator MUNDT. If you got the price of bread up, it would be better for the producer, would it not?

The CHAIRMAN. Awhile ago I suggested to you that the minimum price of corn was held down to 65 percent of parity, if it were, this year it would make it $1.08, and your idea is that for 1961 the price of wheat could go down as low as $1.29, is that correct?

Mr. MARSHALL. Yes.

The CHAIRMAN. What about future years?

Mr. MARSHALL. In the future years?

The CHAIRMAN. It could not go much lower than that, could it?

Mr. MARSHALL. No.

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The CHAIRMAN. So that for a price of $1.29, it would be more or less stable—am I not right?

Mr. MARSHALL. The parity price.

The CHAIRMAN. Am I not right?

Mr. MARSHALL. That is right. The parity price for corn may shift a little, one way or the other.

The CHAIRMAN. When it goes below 65 percent of parity.

Mr. MARSHALL. But the parity may shift, that is, the percentage may shift.

The CHAIRMAN. I am glad to note than Congressman Breeding from Kansas is with us. We are glad to have you with us.

Mr. BREEDING. Thank you.

Senator YOUNG of North Dakota. I note from your table here, Mr. Marshall, that the average amount of wheat that was used for feed from 1937 to 1941, before we got into the war years, when we were subsidizing wheat for feed purposes, that the average feed use was only 117 million bushels, and this year it is estimated at 63 million bushels. Back in 1937 wheat was only about 60 or 75 cents a bushel and even there the average for the 3 years was 117 million bushels fed. Regardless of the price at which you put it now it will not very much affect the use of it as feed.

Senator AIKEN. During those higher feed years much of the northwestern wheat was raised for feed, anyway, in the States of Oregon and Washington. The terrific change in transportation costs made a difference in the feeding of the various grains.

Mr. MARSHALL. Livestock numbers today are considerably higher than in those days.

Senator AIKEN. A food demand has grown for northwestern white wheat which used to be used for feeding, the demand coming from the Japanese and Asiatics who now need it.

Mr. MARSHALL. So it will come out of other areas.

Senator MUNDT. It seems to me that this great reliance that you place, if I understand the program correctly, of bringing the price of wheat down, so that it can be fed to livestock, has to fall on the horns of one dilemma or another. Either, as Senator Young says, it will not work, because it will not be fed, or if your theory is right, if they do start feeding, you start running into direct conflict with your point on No. 4. I think we should not try to solve one commodity problem by shifting it over to some other commodity. It seems to me that you are going to shift this problem to other farm-produced commodities if you succeed in substituting wheat for other feed grains. You will shift the problem over to the fellow who is struggling with the problem of corn or oats, and maybe create a problem for the soybean farmers. I do not see how you can avoid it by that method.

Mr. MARSHALL. That is another factor involved. It is a fact that, in the corn area, where principally corn is produced, that there is a lot of wheat produced at the present time.

When I started up, I indicated that I have a farm in eastern Nebraska. It is about $300-an-acre land. I cannot continue to produce wheat on that. I will quit producing it there, if the price support drops. I cannot produce it on my eastern farm at this price and make any money but I can continue to produce it on some of my less expensive land, or I can raise a high quality product that draws a

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premium market, which I cannot do in the eastern part, so that this will provide some change in the basic wheat figures which is, of course, supposition.

In the eastern part of our State, that is now raising a lot of wheat, it will take out a lot of the 15-acre producers.

Senator MUNDT. Under your theory, I think that it would work fine if we were not living in this era of surplus feed grains, it seems to me that you just hop from one sinking ship to another sinking ship. That is why our committee has been wrestling with some idea of reducing the supply of wheat available on the market.

We have talked about a conservation reserve, a soil bank. We have talked about Senator Ellender's proposal to cut it back arbitrarily 20 or 25 percent. Then there is your proposal, and the Grange proposal which is to ship it overseas, or to sell it off in local markets, but we have to wrestle with the problem that there is a very real surplus problem existing throughout the whole wheat industry. I do not think that you can seal it off and just close one eye and say, "We will not look at that feed grain side—we will get rid of it over here."

How do you meet that?

Mr. LYNN. Mr. Chairman, we are recommending that this program will become effective in 1961 for the crop. We firmly believe that the feed grain situation in 1961 and 1962 will be quite different from what it is now.

A contributing factor was the fact that acreage allotments, were discontinued at the same time the acreage reserves for corn was discontinued. This put 6½ million more acres in corn in 1959 than we otherwise would have had.

At the same time, the price support on other feed grains, including soybeans, was reduced in 1959, which made the corn price, which was raised in 1959 above what it was in 1958, for 90 percent of the corn produced—it made it relatively more attractive to plant corn in 1959 than these other grains.

We believe that with the present good price support and a good market price position of these other feed grains, including soybeans, it will cause farmers to shift out of a lot of corn acreage in 1960 into soybeans.

We hear a lot of talk of farmers going back to their regular rotation, of getting legumes—alfalfa—back on this land.

We believe that in the Midwest and other areas there is a good indication that farmers will adjust their acreage of feed grains in 1960, so that in 1961 when this program becomes effective we will not be in the oversupply position of feed grains that we currently are.

Senator MUNDT. You may or may not be right in your position, I cannot tell, but, at least, you do concede the point that I mentioned, that if you are going to start operating now you might create many problems, that is, you might create as many problems as you solve under the present conditions as of today.

Mr. MARSHALL. It is part of our recommendation that deals with soil bank that has an effect on this.

Senator YOUNG of North Dakota. Your feed grain surplus problem is not just a current one. The feed grain stocks are building up almost constantly and have since 1953, year after year and have done

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so more sharply in the last year or so, but each year you are building up feed grain stocks.

Mr. MARSHALL. We had pretty high price supports, for one thing, on those grains in that period of time. Another thing is involved in this, is that the livestock numbers are high. The grain that is fed to livestock provides a higher standard or a higher nutritive value food than it would otherwise. And the price is responsive to the consumer response, much faster in livestock, than it is in the case of cereal grains. The price of cereal grains goes down and there is no change in consumption. The price of livestock goes down 1 percent in beef, particularly, and consumption will go up twice that much. It will not do so indefinitely, but it does at the time of the drop.

This is part of the situation that is realized by the corn producers in their discussion in arriving at this. There are other recommendations.

The CHAIRMAN. Mr. Marshall, it is the belief of this committee that any legislation we enact should have the tendency of reducing our present surpluses. If you let the bars down and permit farmers to plant unlimited acreage at a fixed support price—of course, that is what you are doing—of almost $1.30, how in the world do you expect to reduce the surpluses?

Mr. MARSHALL. By having a lot of fellows who cannot produce for $1.30 quit. There are hundreds of them.

The CHAIRMAN. Do you mean, just let the one-horse fellow down? How about the big fellow who has the machines and the land available, and just turns it over and plants to his heart's content?

Mr. MARSHALL. We have a recommendation in here pertaining to the soil bank.

The CHAIRMAN. Forget about the soil bank. There is no more chance to put a soil bank through in this Congress than there is to give me a million dollar pension for the rest of my life. I mean along the lines that we have had before.

Mr. MARSHALL. We are talking about an expansion of the soil conservation reserve.

The CHAIRMAN. I understand.

Senator YOUNG of North Dakota. One of your real problems is that when you get this price down so low as to pay $1.28, as you suggest, you are pushing the small farmer out of business, and the big farmer takes over, and he produces more per acre than the small farmer, and you only increase the surplus problem.

Mr. MARSHALL. I have two farms, one in eastern Nebraska and one in western Nebraska. My average in western Nebraska is about 25, 28 bushels, in that neighborhood. In eastern Nebraska it runs, the lowest crop that I produced any time was 32 bushels on that land and the highest was 61 bushels. And even at these kinds of yields I will quit raising wheat back there if it gets down to this price.

Senator YOUNG of North Dakota. What will you raise in place of the wheat?

Senator HUMPHREY. Let me have that answer again—I did not hear it. You said that you would quit raising wheat?

Mr. MARSHALL. I would quit raising wheat in eastern Nebraska at $1.30 per bushel.

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Out west I will continue to raise wheat which is of a higher quality. It is an area where there are no alternate crops at the present time. I think Senator Young is familiar with this. We are in a condition out there like this. I have a farm of 500 acres. I have a 160-acre wheat allotment. I have another 160 acres and plan to put it into crops next year. I will have 180 acres out of these 500 which is no man's land that I cannot plant to any crop that is actually financially remunerative.

The net result is that you get this kind of a condition in the area where the best quality wheat is produced. In the east end I have a small acreage of wheat. I produce high yields, but it is of low quality. It will shake me out of this business back there and put me into soybeans or alfalfa, where I ought to be.

When I plant alfalfa then I have to increase the livestock. That is where we market the alfalfa.

This is the type of business that I ought to be in, in eastern Nebraska, instead of raising wheat in competition with the wheat farmer who raises a high-quality product, where he does not have alternate crops.

Senator YOUNG of North Dakota. The same thing will happen in North Dakota. If we shift out of wheat, the next best alternative is cattle. And we can produce them.

You say that you produce more alfalfa and that would mean more cattle production?

Mr. MARSHALL. That is right.

Senator YOUNG of North Dakota. You are only shifting the burden over to another industry and adding to his trouble.

Mr. MARSHALL. We can consume beef easier than wheat.

The CHAIRMAN. Proceed.

Mr. MARSHALL. For most purposes, wheat is a highly nutritive livestock feed that is worth slightly more than corn on a pound-for-pound basis. It is also heavier on a per bushel basis. Therefore, adjustments for these differences—and for buyer preference—would normally result in a higher price support for wheat on a per bushel basis than for corn.

Senator HUMPHREY. I was reflecting on the statement of Mr. Marshall relating to corn and the price relationship to soybeans. Minnesota produces a considerable amount of soybeans. We produced less last year because of the corn price.

Mr. MARSHALL. That is true; the bean price was down.

Senator HUMPHREY. The bean price support was down. And with unlimited corn acreage, and the distinction between commercial and noncommercial areas abolished, the corn price support was relatively attractive.

What was the position of your organization relative to the corn program? I myself was against it. I want you to know that before you start. I voted against it. I thought it was a bad dream.

Mr. MARSHALL. Basically, we supported the program. There were a few items in it that were not in our proposal originally, but, we supported the program initially, and we are still for it.

Senator HUMPHREY. You are still for it?

Mr. MARSHALL. Yes.

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Senator HUMPHREY. How do you think you are going to change the imbalance in feed grains with a program that reduces the price of wheat? Is that what you are recommending?

Mr. MARSHALL. Last year the feed shift went heavy to corn, for two or three reasons. We did not, that is, Congress did not, renew the acreage reserve. There were 6,700,000 acres of ground which were in the reserve the year previously which in this past year were released for corn production, because we did not continue to support the program. This went into production largely of corn and feed grains and very little went into the production of wheat, but some did. However, this went into this production field. And then the price support on corn went up on an average.

Senator HUMPHREY. On the average?

Mr. MARSHALL. Yes. It went up on the average in 1959 from what it was in 1958. The rest of it went up. This resulted from the fact that the Department of Agriculture lowered the price support on soybeans and on all other feed grains.

Senator HUMPHREY. Why did they do that?

Mr. MARSHALL. We did not ask them to do so.

Senator HUMPHREY. Do you have any idea why the Department of Agriculture did that? I tried to get them not to. I wondered if you had any idea.

Mr. MARSHALL. You will have to refer to the Department for that answer. I do not know why they did it, they lowered it. The net result was that they shifted from soybeans, as you say, in Minnesota, to corn, because the price support on soybeans was down in relation to corn.

I think in another year you will switch back, because soybeans are above the support price.

Grain sorghum was mentioned a while ago. I had a bid on my grain sorghum last Saturday of 4 cents above the loan at the present time.

Senator YOUNG of North Dakota. That is because the Government owns most of it.

Mr. MARSHALL. It could be.

One of the things that has happened is that every time the price of soybeans goes up, Commodity Credit Corporation dumps some of their supplies on the market which has the effect of depressing the market.

Senator HUMPHREY. They are very helpful at that, I must say. I thought that the whole purpose of the Commodity Credit Corporation was to help stabilize a fair price. Too often when the price of a commodity gets up anywhere near where it looks like a producer can buy his wife a new dress, and make a payment on the automobile, the Commodity Credit Corporation proves its great alertness by putting into the market substantial quantities of goods that they are supposed to hold off the market and thereby depress the price.

If anybody can justify that kind of nonsense, I should like to know about it. I am going to wait for the Commodity Credit Corporation to have its turn up here. This goes on repeatedly.

You are not going to get any relief, my good friend, Mr. Marshall.

What you are proposing here, as I see it—and by the way I have great respect for your views—you are proposing that in order to get out of this miserable feed grain surplus situation, which was aggravated last

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year—and I agree with you—by the corn program, we now reduce the wheat support down to $1.30 or $1.28, is that it?

Mr. MARSHALL. That would be it.

Senator HUMPHREY. And with unlimited production—with all of the controls off. All I can say is that it seems to me that you are just going to compound the difficulty.

The CHAIRMAN. Senator Humphrey, as I pointed out a while ago, for the first time the Farm Bureau is basing the price of wheat on corn prices. It is a new angle. I am just wondering why that is. It has never been done before. I am wondering if the net results would not be to make the price of wheat so low that it will discourage production. It is bound to. And thereby let corn have a better play or other feed grains; that is in my mind, I cannot escape it.

Senator HUMPHREY. Or, Mr. Chairman, what will happen is that larger and larger accumulations of land will be in the hands of fewer and fewer people. That is what happens when the process of economic attrition works its way, rather than the process of economic justice.

Senator HART. Before the Senator from Minnesota came in, I think Mr. Marshall expressed that to be the objective of the program, to get the 15-acre farmer out of the business.

Is it not a rather harsh summary of what you said, but an accurate summary?

Mr. MARSHALL. I made a statement that will tend to eliminate the production of wheat in the high-cost areas where there is high-cost land and high-cost everything, which will reduce the number of 15-acre producers.

Senator HUMPHREY. What about my northern Minnesota producers? They raise a lot of good wheat up there. They can also produce sorghums and they can produce oats, barley, some rye. They cannot depend on getting a soybean crop every year, at least so far. What would happen to them? There are some big farms up there, some about 2,000 acres, but most of them are 240, 500, 600 acres, a half section or a section of land—what happens to them?

Mr. MARSHALL. They will be treated the same as everybody else.

Senator HUMPHREY. What do you think would be the impact of $1.30 for wheat on these northern Minnesota farms?

Mr. MARSHALL. They would have alternate things that they can raise besides wheat, would they not?

Senator HUMPHREY. Some, but all of the alternate crops are in surplus.

Mr. MARSHALL. The wheat area where the high-quality wheat is produced has no other ultimate possibility which makes this so different from any other crop.

The CHAIRMAN. What is the average production in the area to which you refer?

Senator HUMPHREY. Well, as just a rough estimate, I guess that it would run 30 bushels per acre.

The CHAIRMAN. Mr. Marshall stated a while ago that in eastern Nebraska he has land that now produces 50 bushels.

Mr. MARSHALL. I have produced as high as 60 bushels.

The CHAIRMAN. As high as 60 bushels, and producing that much wheat per acre he would get out of the business at $1.30. What would happen to your man who produces only 30 bushels?

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Mr. MARSHALL. It depends on what the rest of his costs are, the cost of operation, the cost of the land. That all has a bearing on it. There is a vast difference in the cost of production.

Senator HUMPHREY. I agree with that. We have many serious problems up there. We have a limited growing season. I would imagine in a sense it is a realtively high-cost production area. But it produces some of the finest wheat in the world.

The thing I worry about in this program is utilizing economic attrition to clean up difficult situations. I am not sure that by permitting attrition to work on a handful or a large number of smaller farmers you do anything to relieve the real problem—even if you could justify economic attrition on such a basis, which I do not think you can—because the land will be purchased and will go into something else.

What if they put it into grain sorghums? Grain sorghums are every bit as good a feed as wheat, if you are going to use wheat strictly as a feed grain item. I mean, if you are going to look upon this plan for wheat as a feed grain program rather than a wheat program, then you have to consider all of these many competitive things.

Mr. MARSHALL. Economic attrition is going to eliminate the traditional wheat producers who have no alternate crop but wheat. If we continue the expansion and the production of wheat in all other areas where there are alternates and this is what will happen under the present program.

The CHAIRMAN. All right, Mr. Marshall, you may proceed.

Mr. MARSHALL. The provision that the support price for the 1961 crop of wheat could not be less than 120 percent of the corn support price would result in a wheat price support of at least $1.30 per bushel if corn were supported at $1.08 per bushel. This provides assurance for the producers of corn and other feed grains that prices of such commodities will not be demoralized by the entry of wheat into the feed market. It also assures wheat producers of a 1961 support price that will give them some premium over the feeding value of wheat.

This price support policy would: (*a*) Restore the pricing of wheat to supply-demand conditions as reflected in the market place. (This does not necesarily mean that market prices of wheat and corn would fall into the exact relationship indicated by differences in feeding value. The relative market values of corn and wheat are affected by domestic and foreign demand for milling wheat, and by the fact that a great deal of wheat is produced in areas where corn prices reflect substantial transportation costs. There is every reason to believe that good milling wheat would bring a substantial premium over its feed value.)

(*b*) Expand the use of wheat for livestock feed without creating unfair subsidized competition for the producers of corn and other feed grains. (In the 20-year period, 1930–49, excluding the abnormal war year, 1940–44, market prices averaged almost 28 percent higher for wheat than for corn, and an average of 15.1 percent of the total wheat production was fed to livestock. For the 5 marketing years, 1955–59, it is estimated that wheat market prices have averaged 58 percent above the corn prices, and that only 4.9 percent of the total wheat production has been fed to livestock.)

Senator MUNDT. According to your table, the livestock was very little more than it is now.

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Mr. MARSHALL. Yes. 1940 to 1944 are excluded in the compilation.

(*c*) Remove the incentive for further expansion of wheat in humid and irrigated areas where alternative crops can be grown successfully and where wheat yields have been far above average. It is quite likely that some reduction in acreage would occur in such areas over the next 2 to 3 years—particularly in areas where production has expanded to take advantage of the 15-acre exemption.

(*d*) Greatly reduce the incentive for producers to increase yields through the heavy use of fertilizer where moisture is available, and other yield increasing practices in high-cost wheat producing areas.

(*e*) Permit growers in traditional wheat areas to return to production practices that offer possibilities of greater efficiency and thus lower production costs.

(*f*) Provide a basis for greatly reducing the cost of maintaining wheat exports and thereby greatly strengthen the basis for a continued U.S. participation in the world wheat market.

(*g*) Reduce the basis for criticism of U.S. export policies by other countries which compete with the United States for world wheat markets.

(3) Provide adequate protection for all farmers from the competition of Commodity Credit Corporation sales from accumulated wheat stocks.

The CCC now has over 1.4 billion bushels of wheat in inventory and under loan. The proposed protection would be made effective by providing that no wheat should be sold for domestic use by CCC at less than 150 percent of the effective support price, plus reasonable carrying charges. For example, if the support price for wheat should prove to be $1.30 the first year under the new program, the unrestricted CCC release price would be $1.95 plus carrying charges. Future foreign sales of wheat from CCC stocks under Public Law 480 (the Agricultural Trade Development Act) would be restricted to the average of such sales in 1957, 1958, and 1959 when a substantial portion of such sales came out of current marketings. There would be no limit on foreign donations of CCC-owned wheat for famine and disaster relief.

Several years would be required to dispose of current CCC stocks in this manner. However, domestic prices would be free to rise with market demand, unhampered by competition from surplus Government stocks.

(4) Cushion the effects of wheat producers and on producers of other grain feeds caused by the reduction in the support level and elimination of acreage allotments and marketing quotas. This would be done through a substantial expansion of the soil bank conservation reserve program.

As a general policy, we recommend the extension of USDA's authority to enter into new conservation reserve contracts for 3 years—through 1963—with a modest expansion in appropriation for this period. This recommendation would expand the conservation reserve at a rate of around 5 million acres per year to a total of 43 million acres in 1963.

In addition, as an integral part of the legislation we are proposing for wheat, we favor a provision to raise the total amount of land in the conservation reserve from the 43 millilon acres proposed above to

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60 million acres at the end of 3 years. At least half of this proposed additional authorization of 17 million acres would be signed up the first year to cushion the adjustment to the proposed new wheat program.

This expansion of the conservation reserve would cushion the adjustments faced by two types of wheat grower: (*a*) the grower who is farming "marginal" land in traditional wheat areas, and (*b*) the grower who has become a wheat producer under the 15-acre exemption and who may choose not to grow wheat under the new program.

Each of these four parts of the Farm Bureau program is essential to the others. We cannot support the elimination of acreage and marketing controls without an adjustment in the support level. The level of support cannot be reduced without protection to growers from competitive sales of Government-held surplus wheat. A substantial expansion of the soil bank conservation reserve is dependent upon—and justified by—adoption of the other sections of the wheat program.

A draft bill to carry out the above recommendations is attached as exhibit B. The provisions of S. 2759 and Farm Bureau's recommendations go in different directions. This points up the decision that must be made. The present wheat program is not working. Drastic changes must be made. We must either permit wheat to move into the domestic feed market or else cut acreage sufficiently to bring production in line with the volume that can be moved into domestic consumption and export under programs of the type that are now in effect—even though this eventually may mean more than a 20 or 25 percent cut in present allotments.

It will, of course, be argued that we already have an overabundant feed supply. This is true; however, the possibilities of expanding the domestic market are much greater for livestock than for cereal products. Livestock is the balance wheel of American agriculture—a mechanism that can and should be used to adjust our output to the capacity of our markets.

Farm Bureau cannot accept any program which would have the effect of throwing wheat into the domestic feed market on a subsidized basis. Further acreage cuts would penalize the traditional wheat grower, many of whom have no satisfactory alternative crop. The solution is to eliminate controls, permit wheat to be fed on a fair competitive basis, and let market prices help to guide the adjustments that need to be made.

We recognize that the choices available to Congress and to wheat growers will require a difficult decision, but the issue can no longer be avoided. A new program designed to achieve a better balance in production and consumption is imperative.

(The exhibits referred to above are as follows:)

EXHIBIT A. BACKGROUND STATEMENT ON RECENT TRENDS IN THE WHEAT SITUATION

Since basic elements of our present wheat program were adopted in the years immediately prior to Pearl Harbor, it may be useful to compare various aspects of the current wheat situation with conditions that existed in 1937–41. The following charts are designed to do this.

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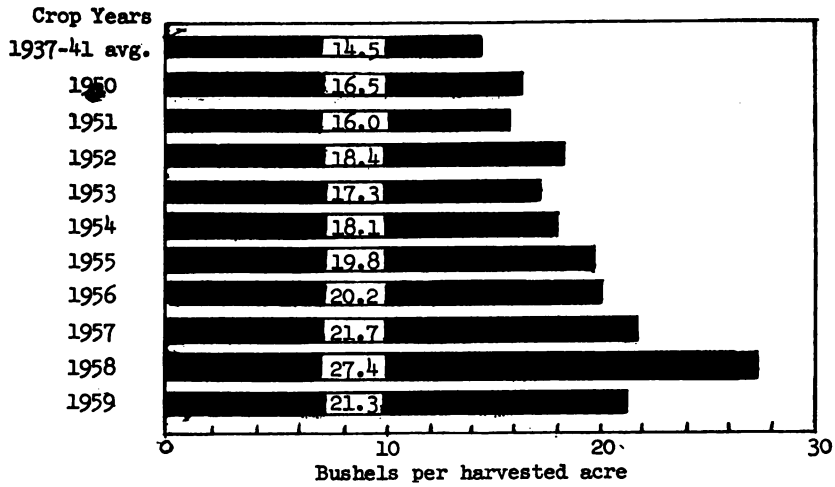
CHART I.—*Wheat yields per harvested acre*



In 1958 acre yields were almost double the 1937–41 level. Although yields were down in 1959, we cannot assume that they will remain at the 1959 level. Improved varieties, better farming practices, increased fertilizer, irrigation, and increased interest in the production of wheat in human areas have contributed to the upward trend in yields, but the stimulus has come from the fact that it has been profitable to grow wheat.

National acreage statistics on the trend in wheat yields obscure the damage that is being done to the position of wheat growers in the vast semiarid regions with limited alternatives. The upward trend in yields is not uniform. The trend has been dramatically upward in the Pacific Northwest, and in the Corn Belt States, while on the average, yields have remained almost constant in the Great Plains.

In the Pacific Northwest the average yield per seeded acre was 19.3 bushels in 1923–32, 25 bushels in 1941–50, and 29.2 bushels in 1952–58.

In the Corn Belt the average was 16.7 bushels in 1923–32, 19.6 bushels in 1941–50, and 26.3 bushels in 1952–58.

In the Great Plains the average was 11.2 bushels in 1923–32, 14.2 bushels in 1941–50, and 14.2 bushels in 1952–58.

Any businessman can understand—and farmers are businessmen—what these divergent trends are doing to the relative costs of producing wheat in different areas and the ability of the Great Plains to compete. Whereas the Great Plains could once produce wheat for about half what it cost in other areas, this economic advantage is now being rapidly eliminated.

Technological developments indicate that the divergent trends in yields will continue if the present artificial incentives to the expansion of wheat production are continued.

Although unusually favorable weather conditions contributed to the record 1958 yield of 27.4 bushels per harvested acre, per acre yields were well above the 1937–41 average even in severe drought years of 1954–56.

In the 7 years (1952–58) we harvested over 2 billion bushels of wheat more than we would have harvested from the same acreage if yields had remained constant at the 1937–41 level. Although it has been known for several years that per acre yields were increasing, the Congress has not seen fit to revise the wheat program to take account of this fact.

New varieties now being developed foreshadow even greater yields. For example, the Department of Agricuture recently announced a new hybrid soft white wheat that has consistently yielded more than 100 bushels per acre without fertilizer in tests in the Palouse region of eastern Washington. With fertilizer this new variety has yielded 136 bushels per acre.

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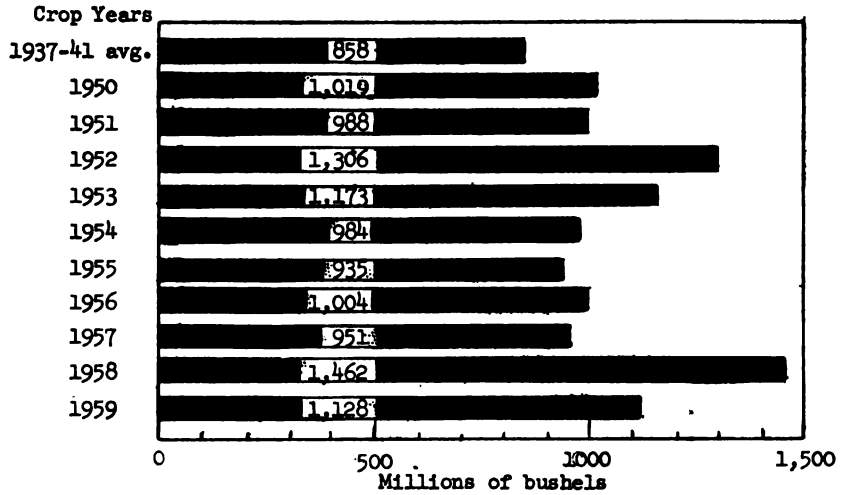
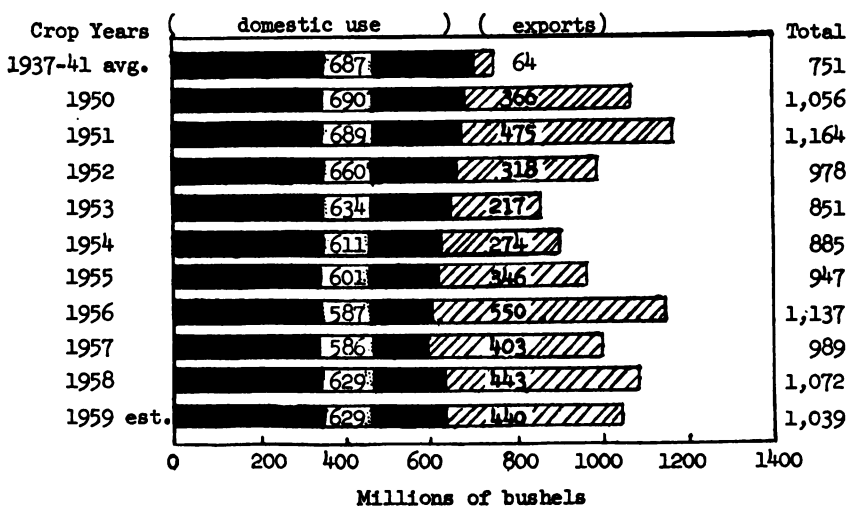
CHART II.—*Wheat production*



Production fell off when marketing quotas were revived in 1954. It fell again in 1957 when 12.8 million acres were in the acreage reserve, but in 1958 production reached a new all-time high despite quotas and the acreage reserve. Now that the acreage reserve has expired, the entire national allotment of 55 million acres is again available for wheat production.

CHART III.—*Wheat consumption: Domestic use and exports*



As a result of special export programs, the United States has been able to supply a sizable percentage of the total international trade in wheat in recent years at the risk of damaging relations with other wheat exporting countries.

Domestic per capita consumption of wheat as human food shows a long-time downward trend; price supports have sharply restricted the use of wheat as livestock feed; and acreage restrictions have reduced the need for seed wheat.

Our ability to expand exports further is limited by the competition of other exporters, and the fact that many countries are following policies that stimulate wheat production.

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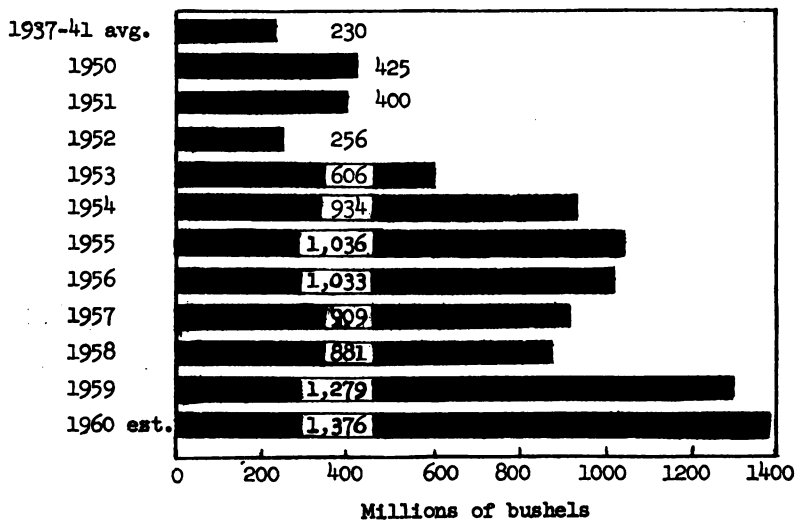
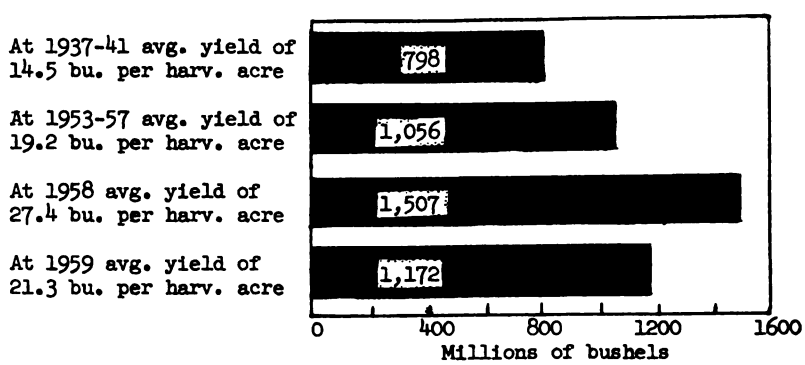
The entire world trade in wheat amounted to only 1,259 million bushels in 1958–59. The United States supplied 443 million bushels, or 35.2 percent of this total. In order to have exported that part of our 1958 harvest that was surplus to domestic needs, it would have been necessary for us to export at a rate equal to 66 percent of the entire international trade in wheat. Such an achievement appears impractical in view of the heavy dependence of other countries, such as Canada, Australia, and Argentina on wheat exports. Even though we should continue efforts to expand wheat sales abroad, it is obvious that there is little possibility of solving the present wheat problem in the near future by expanding exports.

CHART IV.—*Wheat carryovers, years beginning July 1*



Annual carryovers of old crop wheat have been burdensome for several years. In the 1956–57 and 1957–58 marketing years with the temporary retirement of land under the acreage reserve, poor crops in some other countries, and extraordinary aids to exports, we made a little progress in reducing the carryover. But with exports down from the 1956–57 high and with a record 1958 crop, our carryover was increased more than 45 percent in a single year (from 881 million bushels on July 1, 1958, to 1,279 million on July 1, 1959). Although production fell 334 million bushels from 1958 to 1959 as result of reduced yields, the carryover is being increased approximately 100 million bushels in the 1959–60 marketing year. Still further increases in the carryover are in prospect for the years ahead if present programs are continued without major changes.

CHART V.—*Estimated production of 55 million harvested acres of wheat at selected yields*



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At 1937–41 average yields, 55 million harvested acres of wheat would produce 798 million bushels. This was not greatly out of line with the average 1937–41 disappearance of 751 million bushels. When adopted in 1939, however, the 55-million-acre minimum national allotment was on a planted-acre basis. Today the 55-million-acre minimum is on a harvested-acre basis, and yields have risen far faster than our ability to get rid of wheat. Consequently, at today's yields 55 million acres can produce far more wheat than we have thus far been able to move into domestic consumption and exports under present programs including a wide variety of export subsidies.

EXHIBIT B

[Draft]

[H.R. —, 86th Cong., 2d sess.]

A BILL To help restore the balance between the production of and the market demand for wheat, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress hereby finds the present agricultural program to be inadequate to meet the present problems of wheat growers. Surpluses are continuing to mount despite the subsidized disposal of huge quantities of wheat abroad and the application over the past several years of the strictest production controls permitted by law; at the same time, markets for wheat are diminishing; domestic food use of wheat per capita has declined to the lowest level in recorded history; the market for wheat as livestock feed has been greatly reduced as the price differentials between wheat and other feed grains have widened. There is an urgent need to achieve a balance between the production of wheat and our ability to move wheat into domestic consumption and export. The alternatives are to reduce drastically the acreage of wheat, which would have serious consequences for traditional wheat areas, or to provide greater opportunity for market prices to guide the production and consumption of wheat. In order to solve the existing surplus problem without further impairing the right of traditional wheat areas to grow wheat, it is hereby declared to be the policy of Congress and the purpose of this Act to encourage the expansion of markets for wheat, reduce unrealistic production incentives, minimize the economic hardship of wheat growers, and avoid shifting the burden of making the necessary adjustments to the producers of other commodities.

SEC. 2. The Agricultural Adjustment Act of 1938, as amended, is hereby further amended by adding at the end of Part 111 thereof the following new section:

"SEC. 399. Notwithstanding any other provision of law, acreage allotments and marketing quotas shall not be established for the 1961 and subsequent crops of wheat."

SEC. 3. Title 1 of the Agricultural Act of 1949, as amended, is hereby further amended by adding at the end thereof the following new section:

"SEC. 106. Notwithstanding any other provision of law, the level of price support for the 1961 and subsequent crops of wheat shall be based on the support level for corn for the same crop year, with reasonable adjustments, as determined by the Secretary of Agriculture, for differences in weight, nutritive value, and buyer preference, with the objective of restoring the pricing of wheat to market conditions as rapidly as possible; provided that the level of price support for wheat of the 1961 crop shall not be less than 120 percent of the level of price support for corn of the 1961 crop."

SEC. 4. Section 407 of Title IV of the Agricultural Act of 1949, as amended, is hereby further amended by adding the following at the end thereof:

"Notwithstanding the foregoing, the Secretary of Agriculture shall institute adequate measure to protect producers of wheat and feed grains from competitive sales of wheat owned or acquired by Commodity Credit Corporation, which measure shall include the following: (1) Effective July 1, 1961, and continuing in subsequent years or until Commodity Credit Corporation stocks have reached "normal" as defined by law, the Corporation shall not make any net sales of wheat from stocks for domestic use at less than 150 per centum of the then current support price for wheat, plus reasonable carrying charges; (2) Annual sales of wheat from Commodity Credit Corporation stocks under

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the provisions of Public Law 480, 83d Congress, as amended, or similar export programs in the 1961 and subsequent marketing years shall not exceed the average level of such sales in the marketing years 1957, 1958, and 1959; (3) Commodity Credit Corporation stocks may be used for donations to friendly nations and to friendly people who are found by the President upon recommendation of the Secretary of Agriculture to be in urgent need of such wheat and unable to pay a substantial portion of its value."

SEC. 5. Section 108 of the Soil Bank Act is hereby amended by adding a new paragraph (d) as follows:

"(d) In addition to the acreage that might be placed in the conservation reserve pursuant to the above provisions, the Secretary is hereby authorized to enter into additional contracts with producers under subtitle B of the Soil Bank Act so that in the three-year period 1961–63 the amount of land in the conservation reserve would be 60,000,000 acres by the end of the year 1963, with the greatest emphasis on getting additional acreages contracted under the first year of this additional authorization."

The CHAIRMAN. Thank you, Mr. Marshall.

Are there any further questions?

Senator MUNDT. Yes. I have one on the conservation and reserve feature, Mr. Marshall. You say this would be done through a substantial expansion of the soil bank conservation reserve program, which is expanding very largely. Do you recommend any changes in the operation of the present program in the event that you are to undertake this sharp expansion of conservation reserve acreage?

Mr. MARSHALL. No. The conservation reserve is basically as it is except for a small increase each year—about 5 million acres—in the basic program. Then this other in case of the wheat—that you tie in enough to bring it up to 60 million acres which will be 17 million additional.

Mr. LYNN. May I supplement that, sir? We do think there are some improvements that can be made in the operation of the conservation reserve. We believe that the Secretary of Agriculture has sufficient authority to put those into operation now. However, if it is determined that he does not, we would support added legislation to make the conservation reserve more acceptable than it seems to be currently.

Senator MUNDT. I think something has to be done to make it more acceptable. There is growing disenchantment in the United States. I talked to Senator Young yesterday. That is true in his State. What do you do to increase acceptability, which is very important?

I may say, if I vote to extend this program, they would run me out of the State.

Mr. LYNN. We don't think that would happen, sir.

Mr. MARSHALL. I don't think so, either.

Mr. LYNN. We have a lot of complaints, Senator, about the allowing of weeds to grow and creating fire hazards in the community. It is one of the most prevalent ones we hear. We understand the regulations provide this land shall be mowed twice a year. Well, if this is the regulation, why isn't it being done? These are the type of things we would like to see carried out.

Senator MUNDT. We have a lot of complaints on other phases—that is, putting in the conservation reserve whole farms and then as a very grim concomitant of that, eventually razing the buildings and moving them off the farm—so that the buildings that remain and the farmers that stay have their taxes go up because the other fellow's tax basis is down. They have this in there for 10 years. They are

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going to live on the place. Why try to keep the insurance up? Why try to keep the repairs up? It is just eating them up. I think you have to give an awful lot of attention to some changes to increase the acceptability. My experience in just contacting Members of the Senate and Congress, informally, is that it is not only in North Dakota and South Dakota where this condition is developing. It is pretty general. I think you have to take another whole look-see of what basically is perhaps a good idea but we need something pretty sharply done to it before we get any acceptability out on the farm.

The CHAIRMAN. Well, this whole program—soil bank program—has been miserably applied. All of us know that the acreage that was to be taken in when the law became effective, was acreage then in cultivation that had produced crops. What the administration did was to permit a farmer to plow a pasture this year, another one next year, and put that in the acreage in the soil bank—which I think was a rape of the whole program.

Any further questions?

Thank you, Mr. Marshall.

We are now going to have the two great organizations. I hope they are not conflicting this morning, but in accord.

STATEMENT OF HERSCHEL D. NEWSOM, MASTER, NATIONAL GRANGE

Mr. NEWSOM. Mr. Chairman, we can usually find some areas of accord. Unfortunately, we have to continue to find certain areas of disagreemnt from time to time, too, but I suppose that is part of the process.

The CHAIRMAN. That is what makes democracy work.

Mr. NEWSOM. Mr. Chairman and members of the committee, since the early 1920's the Grange has been interested earnestly in developing programs, legislative, and otherwise, that would help to offset the effects of the very substantial change in relationship between American farm producers and the international competitive price structure influencing selling prices and incomes of those producers, as contrasted to the influences on their cost structure. This change became evident with World War I and its end.

It is still our opinion that the major cause of the origin and evolution of the persistent farm income problem dates to those changes in U.S. status with respect to the markets of the rest of the world, which took place at this period of time. We further believe that the economic circumstances confronting the producers of all new wealth in the United States—not just farmers alone—stem from this changed relationship which has progressively, over the intervening years, put such new wealth producers at an economic disadvantage with those industries and laborers primarily engaged in the processing, manufacturing, and distribution of the products of such new wealth. The only interruption in the economic pressures on these producers of new wealth has come as a result of the distortion of production and marketing patterns which resulted from World War II and again from the Korean war.

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This committee as a whole and its members, individually, have earned the gratitude of American farmers for your continuing interest in trying to develop a legislative pattern that would alleviate some of the economic pressures and would at least tend to correct some of the circumstances leading to such economic pressure. We are grateful for the intent of the chairman as author of S. 2759, in his proposal to "strengthen the wheat marketing quota and price support program."

We must, however, respectfully disagree as to the effect and value of the provisions of the bill under consideration by this committee, because we do not believe that it would either halt the decline in farm income or substantially increase the prospect of expanded market outlets for U.S. wheat. Nor do we believe that these proposals would give sufficient promise of arriving at a circumstance in a reasonable period of time, under which there would be prospect of achieving a reasonable, normal, and necessary level of wheat exports from the United States without the continuation of a substantial export subsidy program, which might well be unacceptable to American taxpayers and incompatible with the sort of trade relationships between the United States and other wheat-producing countries of the world which we believe to be highly important.

Because of our understanding that it is the desire of this committee and its chairman that statements at this time be confined to the position with respect to the proposals in S. 2759, we would like respectfully to add only one further statement. It is our earnest hope that the committee will see fit to schedule additional wheat legislation hearings at a later date at which time we would appreciate the privilege of making an alternate proposal. That the committee may know more of our reason for making this request, we would point out that we continue to have great faith in the wheat certificate program that would eventually seek to get an equitable level of income for wheat producers from their "primary, domestic market," and at the same time, permit normal wheat utilization patterns to again be developed and normal private trade operations in "the staff of life" to be carried on.

Senator MUNDT. I hope you don't think you are operating in any harness, to preclude you from forming or supplying a conclusion to the other witness. I am sure the witness is not going to stop you if you have some happy answer to the problem we confront.

The CHAIRMAN. He has a two-price system which we have before us now. I don't suppose he can add anything to it.

Mr. NEWSOM. I am going to cover that statement here. I did not know whether we should go too far in it.

Senator MUNDT. We want an answer to the wheat problem.

Mr. NEWSOM. I think it might conserve the committee's time if I finish the committee statement. If you want to open the door to further comment, I will be delighted, frankly.

The CHAIRMAN. We have been doing that all morning. We won't deny you that privilege, sir.

Mr. NEWSOM. Thank you, sir.

Senator MUNDT. I would like to say—and it may surprise the chairman to hear this—but I would like to say some of the proposals of the preceding witness, in tying it to what we would call a stop-loss sup-

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port level on wheat to the price of corn and feed grains, is old to us. As you remember, Mr. Chairman, this was one of our criteria in our traditional so-called domestic parity proposal.

The CHAIRMAN. Why is it that the American Farm Bureau was so late in seeing the light?

Mr. NEWSOM. Well, I don't know that it would be appropriate for me to comment on that question, exactly. I would like to say this. In line with some of the comments and questions that we have heard here this morning, especially with reference to one of the remarks, I believe, by the Senator from South Dakota, I hope this committee, if we do have the opportunity to go into more extensive hearings on the general subject matter, I hope that we can all take account of the reasonable effect that might be achieved if we do tie a stop-loss support level as we long advocated, and as the Farm Bureau now proposes, to the price of competitive Federal grains in an effort to get a normal Federal utilization pattern established for wheat, too. I cannot ever agree under the present circumstances, that we can do this by immediately canceling out all acreage allotment programs, without some drastic soil bank provisions or something of that kind. I don't believe the remarks of the chairman and some of the other members of the committee would indicate, are possible under this circumstance, but to accept this bottom half of a traditional grange program without doing anything at all to meet the income problem of Americans, wheat producers, without recognizing that these producers of the staff of life, in bread grain, have a basic right to an American level of income on that portion that goes into this primary channel, is just unacceptable, unthinkable to me.

The CHAIRMAN. Well, Mr. Newsom, of course, the position taken by me and I am sure by quite a few of the other members of this committee is that unless we get early action of some kind on wheat legislation during this session, there won't be any at all. Now, if you will recall, during the 2d session of the 85th Congress, we talked of all of the commodities, I think, except tobacco and peanuts. We had to give up wheat because it was apparent from the beginning that we could not get unanimity among the producers and the various organizations, as to what to do with wheat. So, in order to get action on corn, rice, and cotton, we proceeded to deal with those three commodities in one package and then left wheat for last year, at the 1st session of the 86th Congress.

Mr. NEWSOM. I am aware of that history, Mr. Chairman. With that in mind, I think I have some basis for hope and encouragement that you may be interested in.

The CHAIRMAN. I call your attention to the last paragraph on page 2.

In recognition of the difficulty of trying to put a sound, permanent program into operation under present circumstances, I would advise the committee further that representatives of the grange have been working earnestly with representatives of the National Association of Wheat Growers and with others in trying to develop a program that could be effective in the immediate future in moving us more aggressively than we believe S. 2759 could possibly do—toward a more desirable reliance on competitive production, capacity, and efficiency and toward a more nearly normal supply and carryover of this important

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bread grain—and which at the same time would aggressively reduce the cost of the wheat program to American taxpayers and protect farm income from further decline.

This is presently important. Frankly, I am always disappointed in any testimony before this committee or others on the other side of the Capitol, that does not take account of this fact, and it is increasingly and imperatively important now.

Senator MUNDT. You are talking about protecting the farm family against further price decline?

Mr. NEWSOM. Absolutely.

Senator MUNDT. We have to always keep that at the top of our mind. I think that is very important.

Mr. NEWSOM. I think I was doing it without prejudice; at least, I hope I was but frankly, I searched the previous testimony for any recognition of the fact that we simply cannot condone a further decline in farm income at this time. I did not see any satisfying evidence of recognition of that fact. I would only say further, Mr. Chairman, that rather than to get involved in what we think may be an impending modification of Grange approach, I would only point out that as far as our policy statements now are concerned, we still believe that the program we long advocated, is a sound, long-term program. I have been enough impressed with the current proposal of our friends in the National Association of Wheat Growers, in our conferences with them, along with other groups, that we have called our own National Grange Wheat Committee to come in just as soon as we could get a date with them, the week after next. We want to explore the details of the mechanics of their proposal.

I think, as I understand it, they are prepared to present this thing as their recommendation to you now. I am sorry to say that I am not now in a position to give full Grange support to it. I am not sure we will, but at least, we are receptive to what they are trying to do.

The CHAIRMAN. Mr. Newsom, you can realize all these delays will mean no wheat legislation this year.

Mr. NEWSOM. I am aware of that, Mr. Chairman.

The CHAIRMAN. What is the use to take our time then?

Mr. NEWSOM. I would say to you——

The CHAIRMAN. Another thing that we must consider is, of course, the White House and Mr. Benson. I am sure that it is not possible for us to override a veto on any farm legislation that may be proposed by this committee of the Congress that is not acceptable to 1600 Pennsylvania Avenue.

Mr. NEWSOM. I hope you understand that what I now want to say, is said in great respect for you as chairman and for the members of this committee and everybody that you mention but the fundamentally important fact is that none of us permit ourselves to support or advocate anything that we don't firmly believe in, irregardless of whether we get it this session of Congress. Now, I don't mean to be arbitrary about it.

The CHAIRMAN. I understand that, but at the first meeting of this committee this year, the second session of the 86th Congress, as chairman, it was the first point that I raised. We have got to do something

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to try and get the wheat problem behind us if it is at all possible. I was instructed to go on.

Mr. NEWSOM. I agree with you. Don't let's make a mistake if there is any way in the world to avoid it.

The CHAIRMAN. So I don't want the committee as a whole to be in any way blamed if no wheat legislation is enacted this session of Congress.

Mr. NEWSOM. We will all have to take some blame for it, I assume, but I don't feel that we need to resign ourselves to that one yet, if we can get a little bit wider area of agreement.

The CHAIRMAN. All right.

Mr. NEWSOM. I think we have prospects of expanding it to the point maybe we can get action in this session.

The CHAIRMAN. I don't see why we should wait until the Congress convenes for that. I am not trying to criticize anybody but it seems that work should have been done before, realizing the importance of having wheat legislation before May.

Mr. Newsom, all I can say to you, sir, is that we have tried. We are going to continue to try.

Mr. NEWSOM. Such decline cannot be acceptable under present circumstances.

Because of our confidence that every member of this committee seeks these same objectives, we would like for you to consider such further hearings on wheat legislation as this statement has suggested and as we believe additional witnesses may likewise indicate to be desirable.

The CHAIRMAN. Any further questions?

Senator MUNDT. I feel Mr. Newsom's testimony adds up to something like this:

You don't feel that S. 2759 is the answer. You don't feel that the suggestions which we have listened to just preceding you, is the answer. You are pleading for a little more time to make a second appearance before this committee with some suggestions which are evolving and being discussed.

Could you answer the question about when you think in the calendar date you could come back with a yes or a no or maybe reply to what we are trying to do, to clear this up?

Mr. NEWSOM. I think we can reasonably be prepared, so far as the question that confronts me right now, as master of the Grange is concerned, within about 2 weeks. As a matter of fact, members of our committee come all the way from the west coast, the Middle West, the Southwest. I have had, frankly, some difficulty. Most of them are State masters with pretty rough schedules, and when this thing developed about 2 weeks ago or began to evolve, then it seemed to offer great promise to me, as a short-term program, at least.

Senator MUNDT. This is a couple of weeks, only.

Mr. NEWSOM. That is right.

The CHAIRMAN. That would throw us into March, let's say. The latter part of February.

Senator MUNDT. In the meantime, as I understand, Mr. Newsom, the basic suggestion which they are considering, is going to be presented by the wheat producer groups so that we will have the evidence and the

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testimony before us. We may not have the Grange's final analysis of the wheat program.

Mr. NEWSOM. I understand they are scheduled next.

The CHAIRMAN. You mean the next witness.

Senator HART. First of all, I know there have been discussions going on for some months. It is not just as if there is something new. These discussions had been directed toward trying to get an agreement amongst the major farm organizations if not all of them. A majority of the major farm organizations on a wheat program. I fully concur with you, Mr. Newsom, so that we cannot advance a program out of this committee, at least not with my help, that will provide further income decline for our farmers; and just to get a program, just for the sake of a program that is going to result in a further decline in income, would be only to add injustice to injustice. Now, I want to ask this question.

Do you think that the Department of Agriculture will approve a program that you and the wheatgrowers can unite on?

Mr. NEWSOM. I don't know that I am in a position to give you a very meaningful answer to that question.

The CHAIRMAN. Why don't you give a short "No"?

Mr. NEWSOM. I would rather suspect we will have a great deal of difficulty to get them to approve anything that is going to be acceptable to us now, but I don't think it is a foregone impossibility, Senator.

Senator HART. Let me ask you this. Do you think this committee ought to approve a program in order to meet the requirements of the Department of Agriculture? What I am getting at is, do you think that our legislatitve direction ought to be in toward meeting the requirements that are laid down by the Department or should we legislate on the basis of what we think this country needs.

Mr. NEWSOM. That is exactly the position I think we have to take. I would rather feel that, although there is a great deal of merit, Mr. Chairman, I want you to know that I am not unsympathetic with your realistic approach. We may have to temper some of our objectives in the interest of realism but I think my limit is a great deal lower on this willingness to attempt to temper proposals than has been implied by your statement. I don't want our friends on this committee to advocate anything, just because it is the kind of thing that we can get universal acceptance on. Our only purpose, and I am sure your only purpose, in the final analysis, is to get something that will protect the farm income. I would put that at the top of the list. Second, reduce Government costs, and third, move us toward a real balanced pattern of utilization in the case of wheat. This is in human food, in feed, industrial uses, and in exports; and there is a great prospect of serving some of these objectives in the proposals of the Farm Bureau just before you, but as I say, they are not adequate. They are not a complete program that is acceptable. There are parts of that that are tremendously encouraging.

Senator HUMPHREY. Why don't we for at least a period of time, in light of what we know to be the complexity of this problem, advance the proposal that we are prepared to guarantee grain supplies for some of the food deficit areas of the world?

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In this instance, I am thinking particularly of India—why don't we guarantee India a minimum of 400 billion bushels of wheat each year for the next 5 years, and in the meantime, design legislation that will permit growers to meet the production requirements involved and at the same time bring some balance into this whole grain picture that has been related so well this morning.

I understand that the President indicated in New Delhi that we wanted to do something on a long term basis, relating to the food needs of that country. I further understand that the Government of New Delhi has been suggesting for some period of time that they need between 200 and 400 million bushels of wheat annually. They need it not just for 1 year but they need it for a number of years.

Now, what is wrong with utilizing this wheat, rather than spending more money on the soil bank? When I think of the millions and billions of dollars that we have spent in trying to curb production with this particular program and geting no place, I wonder why we don't try to establish new uses for our production.

I happen to think there is merit in your two-price system. I want you to know that. You know that I have been sympathetic toward it. It seems to me that on the one hand, we would be doing something on the domestic market that would enable American producers to receive a fair and reasonable price and thus give them a chance to meet the high cost of American living and the high cost of production and at the same time make a decent profit out of their investment.

On the other hand, we would be able to come to grips with the problem which is on us now—the accumulation of how many bushels of wheat? What do we now have?

The CHAIRMAN. 1.4 billion.

Senator HUMPHREY. We must als consider the fact that it will take some time to phase out of the existing wheat program. You cannot do this overnight. If you try to do this in a year, there won't be a wheat farmer left in North Dakota or one in Minnesota or one in Kansas. You will wreck them. That would adjust production all right. It would adjust the people right out of business.

The CHAIRMAN. Any further questions?

Senator HUMPHREY. I want to know what Mr. Newsom's thinking is on this.

The CHAIRMAN. We are trying to get some wheat legislation passed.

Mr. NEWSOM. I would like the priivlege of commenting briefly on the Senator's statement.

The CHAIRMAN. All right.

Mr. NEWSOM. Of course, as you know, Senator, we are highly sympathetic to some of the things that I think are in the back of your mind when you talk about this. I would, at the risk of sounding like I am more patient than I really am, in some of these things, I would like to say that here, right now, I think there is some necessity for patience and temperance in moving in that.

Now, my experience in the International Conference of Farm Organization Representatives in Delhi, in December, was highly encouraging in that I saw an increasing awareness from people of the rest of the world that we must do this type of thing but the most encouraging thing about it was that person after person from the rest

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of the world say that we must not depend upon the taxpayers in the very countries that produce the agricultural commodities for which we have such great need in the rest of the world, to pay for these food banks and reserves and as President Eisenhower called it, the food for freedom proposal.

Senator MUNDT. We certainly could not depend on the producers. That is true.

Mr. NEWSOM. Thank you, Senator, I was going to say that neither can the producers in these so-called surplus producing areas of the world do this, but the statement of Dr. Sinas, Director of FAO, in our conference in New Delhi was highly encouraging; a little less detailed than I had hoped it might be, I confess. This is the impatience showing up again perhaps, but there is real progress, Senator, being made in the thinking around the world.

Now, I am a little suspicious that an intemperate or overhasty unilateral program on our part now, might retard the progress that I think is beginning to be in prospect.

Senator HUMPHREY. I would not advocate a unilateral program. I agree. I think there has to be international consultation and, I would hope, cooperation. What I was trying to get at, Mr. Newsom, more than anything else, is that it is one thing for us to propose legislation here, which on a theoretical basis will curb production, raise the price, and bring into balance production and demand, but that is not the full extent of what we should be doing. As a committee we should take into consideration not only the production but the human need for that production.

The CHAIRMAN. Do you mean all over the world?

Senator HUMPHREY. The needs of our own people, first.

The CHAIRMAN. We certainly have enough production for our own people. What you propose to do is to take care of the people outside of the United States, by making our surpluses available to them, and you know I have tried to reduce foreign aid.

Senator HUMPHREY. You and I have a little difference of opinion on that.

The CHAIRMAN. I know we have. You have been supporting foreign aid from the word go. I have not, and I will continue to fight it, because we are going to lose our way of life, as sure as you are sitting in that chair, if we keep on giving our Treasury and goods to foreigners.

Senator HUMPHREY. I am not going to support a bill that will drive farmers off the land.

The CHAIRMAN. You are going to drive them all off by bankrupting the country.

Senator HUMPHREY. Not by proposals that will help feed the world's needy.

The CHAIRMAN. I know.

Senator HUMPHREY. And our people at home. I think we start right at home first; then it grows broader.

The CHAIRMAN. We have been doing it 14 years, beginning with the Marshall plan. We are worse off than when we started as far as our relations with other countries are concerned.

Let us postpone further discussion until the foreign aid bill comes up this session.

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Senator PROXMIRE. I would like to commend Mr. Newsom for his emphasis on protecting farm income from further decline as the number one priority of a desirable farm program. In connection with this, I would like to ask whether or not—I want to be sure this was your conclusion—whether or not the proposals of the people representing the Farm Bureau Federation, would meet this criteria? Would they in your judgment in the next 2 or 3 years, protect farm income from further decline?

Mr. NEWSOM. No, I don't see there is anything in there.

Senator PROXMIRE. That is your conclusion.

We have a very practical problem. I deeply sympathize with the practical difficulties facing the chairman and the necessity for getting some kind of legislation. We may possibly be faced with whether we have S. 2759, the Ellender bill, or nothing. I would like to ask your conclusion on whether or not S. 2759 would protect farm income from further decline during the next 2, or 3, or 4 years?

Mr. NEWSOM. I don't see how it can.

The CHAIRMAN. In connection with that, Mr. Newsom, I am sure that you realize that this committee as a whole, has been doing its best to maintain prices received by farmers. It was only during the 2d session of the 85th Congress that we veered away from that, when we proceeded to write into the law, support prices for corn.

Mr. NEWSOM. We are aware of that.

The CHAIRMAN. For cotton and rice, to as low as 65 percent of parity.

Mr. NEWSOM. I certainly tried to express our gratitude for your long time position in this respect.

The CHAIRMAN. Exactly. We were left with no alternative to do something about it. Here, we are confronted with the same situation as to wheat and the bill that is now before us will do for wheat what in a measure has been done for other commodities. My fear is that if we don't repeat with the wheat problem, it is simply going to affect the entire farm program. When I say affect, I mean affect it adversely.

Let's proceed.

Mr. Bruns is the next witness.

STATEMENT OF CARL BRUNS, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, CHAPPELL, NEBR.

Mr. BRUNS. Mr. Chairman and members of the committee, my name is Carl Bruns. I live at Chappell, Nebr., and I make my living raising wheat and presently, am president of the National Association of Wheat Growers.

Senator MUNDT. Would you give us some idea, Mr. Bruns, how extensive an organization that is?

Mr. BRUNS. The National Association of Wheat Growers is a group of 10 wheat producing States in which, I would say, the commercial wheat growers in those States are members of their State organizations are members of the national organization.

Wheat farmers' net income has declined since 1947. Acreage cuts in the traditional wheat areas and declining prices coupled with rising costs have reduced the return on labor and capital to a discouragingly

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low level. The day I left home, my neighbor, Mr. W. W. Peterson, called my attention to the article in the January 12, Midwest edition of the Wall Street Journal which pointed out that nationwide the return on rural real estate was barely 3 percent in 1959, down from 6 percent in 1958 and 12 percent in 1948.

Being curious as to how we in the wheat area compared to the national average, a review of Mr. Peterson's 1959 records showed an exact 2¾ percent return on the capital value of his land and just under $2 per hour on the tenants' labor, even though the crop was above average. This gave us record book proof of why the young people are leaving the farms, why there are empty business houses on Main Street, and why there is an absence of new cars at the curb.

Further reductions in wheat prices and additional cuts in acreage allotments will only reduce the present meager income to the wheat farmer, and therefore any legislation that does this cannot be supported by the National Association of Wheat Growers.

During the past decade there has been considerable controversy concerning the wheat problem and we have heard much about flexible prices versus rigid supports, controls versus no controls, and all sorts of variations and combinations in between. We have heard equal talk about what to do with the rather large holdings of Government stocks.

The National Grange and the National Association of Wheat Growers, have jointly developed a marketing program for wheat which will improve wheat producers' incomes, lower Government stocks, help other commodities with their similar problems, and probably the most important thing about it when compared to the present program, it will save the Government and the taxpayers huge sums of money.

The CHAIRMAN. Has that program jelled yet?

Mr. BRUNS. This program is in two parts. The second part is a summary of the cost study.

The CHAIRMAN. Well, Mr. Newsom took the position that his association desired to make a study of the problem.

Mr. BRUNS. As I understood Mr. Newsom, he was saying that he was calling his wheat committee together and I suspect that he is hesitant to say anything more as to the policy of the Grange, without first conferring with this wheat committee. I presume that is why he wished to have this delayed until after he conferred with the committee.

The CHAIRMAN. Do you represent the National Grange and the others jointly? That means you are all for it?

Mr. BRUNS. Yes, sir; we are all for it.

The CHAIRMAN. It has not jelled yet?

Mr. BRUNS. Well, I think it has jelled.

The CHAIRMAN. OK; go on.

Mr. BRUNS. Mr. Chairman, we have prepared a two-part description of this program which will take about 20 minutes to present and, with your permission, I will proceed with my condensed word description and, when finished, ask our farm programs chairman and vice president, Mr. Glen Bayne, to report to you on the second part, which is a summary of a cost study showing just what the program will do from that angle.

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PROPOSED WHEAT MARKETING PROGRAM

A program designed to enable wheat producers to attain parity prices in the marketplace, and to liquidate existing burdensome surplus stocks in an effective and orderly manner.

1. SUMMARY OF ESSENTIAL PROVISIONS

The objective of the proposed program is to effectuate the declared policy of present farm legislation of assisting farmers "to obtain, insofar as practicable, parity prices," set forth under section 2 of the Agricultural Act of 1938, as amended. Under present price-support programs, that objective of the legislation cannot be attained without drastic production controls. Such controls as have been imposed under present legislation have only led to intensification of the wheat production; and surplus accumulation in Government ownership have increased year after year, and have now reached intolerable proportions.

Under the proposed program, the objectives of the farm legislation now in effect are to be achieved by adjusting production of wheat for domestic food uses and for export to available markets. Such adjustment to be effected by limiting the availability of CCC wheat in the marketplace to 100 percent of parity and the availability of price support to producers only on the quantity of wheat needed to meet domestic food requirements and exports and, at the same time, reduce to desirable proportions stocks of wheat under Government ownership. The quantity of wheat required to meet domestic food needs and export requirements is termed the "primary uses" of wheat. For that quantity, a national marketing requirement for primary use is to be established and apportioned among eligible producers by essentially the same procedure as farm wheat acreage allotments are established under present legislation. Each wheat farmer will be issued marketing certificates for his allotted share. However, as long as the Government owns excessive surplus stocks accumulated from previous crops, the producers' share of the national requirement for primary use shall be smaller by 150 million bushels than the estimated primary uses of wheat.

No person will be allowed to process for food or to export any wheat or wheat products not covered by marketing certificates. With the national marketing quota of 150 million bushels smaller than primary use requirements, the Commodity Credit Corporation will be placed in position to liquidate its stocks to the extent that mills and exporters cannot obtain adequate supplies of wheat covered by marketing certificates; that is, to the extent of about 150 million bushels annually.

If export requirements are underestimated, the CCC would be called upon to make available more than 150 million bushels and conversely, a too high estimate of exports would result in a lower rate of reduction in CCC stocks. Domestic food requirements are subject only to negligible year-to-year changes and therefore can be estimated with a high degree of accuracy.

To discourage the production of wheat surpluses and to prevent the diversion of wheat acreage to other agricultural crops and thus merely transfer the wheat surplus problem to other producer groups, wheat

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producers, to be eligible for receiving marketing certificates, will be required to place at least 20 percent of their "wheat base acreage" under whatever land retirement or conservation program may be available. Exempt from this requirement shall be wheat producers having an allotted share of the primary market of 200 bushels or less, and payments for participation in such land withdrawal shall not exceed payments earned on 50 percent of the base acreage or $5,000, whichever is the larger.

Since (1) no person shall be allowed to process for food or to export any wheat or wheat products not covered by marketing certificates; and (2) the CCC would not be authorized to make available any wheat for primary uses at less than the effective parity price for wheat; and (3) the quantity of wheat available under marketing certificates will not be sufficiently large to meet all primary requirements, the market price for wheat will have to advance to a level where CCC stocks become available to supplement the otherwise short supply of wheat available for primary uses. The level will approach the parity price for wheat.

To insure orderly marketing of the crop and to avoid marketing gluts and unduly depressed prices at harvest time, producers eligible to receive marketing certificates will also be eligible to receive minimum loans on the quantity of wheat covered by marketing certificates. The level of these loans should be designed to provide only a floor under the market and should be considerably above the feeding value of wheat relative to corn, or about 65 percent of parity. Since, during most of the marketing year, prices will be well above this loan level no wheat should be delivered to the CCC in default of loans. In fact, recourse loans might well be considered merely as a means to insure orderly marketing, in contrast with present nonrecourse loans which have come to be the principal market outlet for surplus production.

When, under the operation of this program, CCC stocks are reduced to desirable proportions and no further heavy reductions are called for, the national marketing requirements for primary use to producers will be increased so that to a large extent primary market outlets can be supplied from current production. The higher prices received by participating producers in this primary market will far exceed the returns available to noncooperators. This will provide widespread participation and thus strong determents to production expansion and acreage diversion despite the fact that no acreage controls will be in effect. The near parity level of prices to the farmer at the market place is dependent on CCC withholding its supplies until the parity price is attained. Therefore it is necessary that no wheat will be released from CCC stocks either by sale or payments in kind until this parity price level is attained.

Still some time during the marketing year CCC must become the supplier and its stocks will be reduced at the rate of approximately 150 million bushels a year and subsidy-in-kind payments will no longer be needed as a means of disposing of CCC stocks.

The CHAIRMAN. But to obtain your parity price, do you use the same formula as now provided in the law?

Mr. BRUNS. Yes.

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In contrast with previous proposals based on the principle of two-price marketing, this proposed program removes all wheat not covered by marketing certificates from primary uses, thus adjusting supplies to requirements by eliminating competition of non-primary-use production in the establishment of market prices. In this manner, the attainment of parity prices to producers, which is the declared objective of all present price-support legislation, may be realized by producers in the marketplace.

This is a brief record description of how it works. Our program chairman, Mr. Bayne, is prepared to briefly summarize for you how it works in dollars and cents and bushels.

The CHAIRMAN. Your acreage, as you say, would be allocated as the law now provides?

Mr. BRUNS. Yes. Your portion of your share of the marketing certificates would be allocated as it is presently.

The CHAIRMAN. To what extent would your acreage be increased, if any, to what the minimum now is?

Mr. BRUNS. There would be no production controls.

The CHAIRMAN. Oh.

Mr. BRUNS. No acreage allotments.

The CHAIRMAN. You plant all you want?

Mr. BRUNS. You plant all you want.

The CHAIRMAN. And have 100 percent of parity at the marketplace for that part of the wheat crop which is consumed domestically?

Mr. BRUNS. And exported. However, to be eligible for this protection, you have to place in some sort of a land retirement program 20 percent of the wheat base.

The CHAIRMAN. All of that would cost the Government some money.

Mr. BRUNS. This is true. This is why this was prepared in two parts, because it is difficult to explain.

The CHAIRMAN. You figure this program is going to cost the Government less than the present program?

Mr. BRUNS. Yes. A half a billion dollars a year less.

The CHAIRMAN. All right. I am curious to find out how you do that.

STATEMENT OF GLEN BAYNE, CHAIRMAN, PROGRAMS COMMITTEE, NATIONAL ASSOCIATION OF WHEAT GROWERS, PROSSER, WASH.

Mr. BAYNE. This program is not a production-control program. I want to reemphasize that. It is a market-control program. Furthermore, it is not an export program.

Before I get into this, I want to point out the groups that are concurring in this.

You asked about the National Grange a minute ago. Mr. Newsom did indicate that he would have to have clearance from his wheat committee. However, he did agree with us and with the Farmers Union on the 14 points that you will find on pages 2 and 3, as the basis for the establishment of this program and I will discuss those with you as we get into them.

This program does three main things.

It stabilizes the farm income at a reasonable level.

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The CHAIRMAN. That is 100 percent of parity from what is produced domestically?

Mr. BAYNE. Which is 50 percent of the productive capacity of the wheat acres. That is right.

It reduces the Government costs over the present program, and it cuts surpluses. It stops the build-up and it stops surpluses of wheat in Commodity Credit hands.

Now, if you will turn to page 4—in an attempt to summarize this—at the top of page 4, you will find wheat base acres of 82 million, which is a long time wheat base established as a matter of record.

Under this program, we recommend 15.6 million wheat acres to be retired.

The CHAIRMAN. When you say retire 15.6 million, that means there is some kind of a soil bank?

Mr. BAYNE. That is correct.

That leaves a productive acreage, wheat base available for productive crops, under the present program, of 77,700,000. Under our program, it would leave 66,400,000.

Now, if you followed that on down, this is routine and covers the acres planted and abandoned, presently harvested for feed use, for seed use, and for market use. It leaves available under item 9, under the present program, 47,100,000 acres of wheat; that is, presently producing bushels of wheat for the market.

Under our program, it would leave only 39 million producing wheat for this primary market, which is the domestic market plus the exports.

You will note that under the present program, there are being planted on wheat acres for feed grain harvesting, 21,700,000 acres which is diverted acres now going into feed competition: barley, grain sorghums, some corn, rye, and that type of grains produced on those acres, which are wheat base acres, because of the diverted program are competing in the feed market.

Under our program, in spite of the fact 16 million acres are planted for feed, there would be a net reduction of 5,760,000 acres in the total feed production, at eight-tenths of a ton per acre, which is about the average production throughout the country. There would be a net savings of about 4,600,000 tons. This is our answer to the grain man who says this type of program would throw wheat into the feed grain markets. There would be some wheat going in. It would be replacing wheat to the tune of 4,600,000 tons a year.

The CHAIRMAN. In the light of what you are now saying, how can you say that there would be no acreage controls, Mr. Bruns?

That is what you said a while ago, Mr. Bruns.

Mr. BRUNS. Yes. No acreage controls.

The CHAIRMAN. Yet in the light of that, if you say that your partner—I mean your associate—says that the wheat marketing program would be reduced to 39 million acres, that would indicate to me some kind of acreage reduction or acreage control.

Mr. BRUNS. In the first place, you see, 20 percent of the wheat base acreage would go into some sort of a land retirement program.

The CHAIRMAN. Suppose the farmer wants to plant wheat on it?

Mr. BRUNS. Let him plant it.

The CHAIRMAN. OK.

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Mr. BRUNS. This would mean more wheat but in order to market it in the primary use market, it would have to be covered by a certificate, and that would be based on the way they presently determine the allotments.

The CHAIRMAN. Well, insofar as that is concerned, there is no change in your acreage allotments. You would have to have a base.

Mr. BRUNS. You would have a base but there would be no allotments in this thing.

The CHAIRMAN. All right. Go ahead.

Senator YOUNG. May I ask a question at this point?

A farmer can plant all he wants to and sell part of it in the feed market. Can he sell it to any feed dealer? Any elevator?

Mr. BRUNS. It is not certificated wheat. We will get into the discussion of certificates in just a little bit. I do want to point out this one point. You are asking about the farmer who says, "I am not going to go into this program at all. I don't like it. I don't want to fool with it." So in the retirement figure of 15.6, 20 percent of 23 billion would have been 16.4. We anticipated there would be some noncompliance and we set that up at 15.6; so we tried to be realistic in setting up these figures. We believe there will be a net reduction in feed produced, and this reduction would be 4.6 million tons annually.

Mr. BAYNE. Let's have a look at the dollar position under the program, estimated at 200 million bushels added. Under a normal crop, it would run 200 million of annual increase or $362 million in Commodity Credit position. Our program says a reduction of 150 million bushels, but it shall come out of CCC inventory each year, at parity price, which is currently $2.36, which would mean a net return on profit to CCC of $354 million. Adding those two together gives us a net change in investment balance in the CCC inventory in a given year of $716 million. That wheat would have had to have been stored; 200 million would have cost an additional $34 million to store; 150 million would cost $25 million less to store. We have a net position change there of $59 million. You add those two together and get a total net reduction in CCC obligations in 1 year's operation of $775,500,000.

Presuming that we are borrowing the money at the current rate of interest of 4½ percent, that comes to $34 million plus, or a total savings to CCC under this program in 1 year, on their inventory position alone of $810 million.

Now, in addition to that savings, this 4,600,000 tons of feed grains will not be produced. Therefore, it will not have to go into CCC inventories. That is set up in item II and it will mean a net result in savings to CCC on that item of $223 million.

Now, we do have some additional costs, as you mentioned, Senator. We have additional cost of export subsidy and land retirement costs. Those shown on page 6, we figure support subsidy would cost an additional $252,890,000. The land retirement program would cost $200 million.

The CHAIRMAN. That is $450 million.

Mr. BAYNE. That is right. The balance sheet is set up right at the bottom of the page in item 5 on page 6. We have a net savings of $810 million on the CCC operation of wheat; a net savings taken from

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the other page of $223 million; and an increased cost of $252 million for subsidy; increased cost of land retirement at $208 million, or a net savings to the Government of $572 million a year.

On pages 7 and 8 we have taken the same figures, and have extended them on a 5-year basis. Under our present program, if there is no change in the program—the Lord forbid—we feel there is going to have to be some sort of a change. If there are no changes at the end of 5 years, CCC would have in its inventory 2,400 million bushels of wheat.

Under our program, there would be left only 720 million bushels of wheat. Extending the savings on the previous balance sheet, unders items II and III, and increases under items IV and V, we come up with a net savings at the end of 5 years, compared to the present program, of $3,729,580,000. This is the dollar picture.

Let's take a look now on how this program actually looks, this 14 points I mentioned a minute ago, on pages 2 and 3.

The Secretary shall determine the total quantity of wheat for the primary use. This shall be the amount of wheat to be used for domestic food consumption and total exports for the next marketing year.

We will estimate for arithmetic—easy arithmetic handling—500 million bushels will be used for domestic consumption; the same amount exported for foreign consumption. We have a total primary market of 1 billion bushels. From that will be taken 150 million bushels, leaving a national farm market to be divided back to the farmers of 850 million bushels. Those will be divided back to the States, to the counties, and to the farmer himself. He will receive a certificate that will say, "You are entitled to market in the primary marketplace so many bushels of wheat." He will take that wheat. He will deliver his wheat during harvest to the elevator or to his merchandiser and he will go in and market wheat. He will have certificates covering a portion of his crop. That portion will determine the price in the marketplace, and that marketplace will be shrunken by 150 million bushels—the quantity of bushels in that marketplace will be shrunken by 150 milion bushels from the visual disappearance.

Do I make myself clear?

The CHAIRMAN. Do you mean you are reducing the stocks that much?

Mr. BAYNE. No.

The CHAIRMAN. Where did you take the 150 million from?

Mr. BAYNE. From the potential market. We have a potential market.

The CHAIRMAN. Is that in the CCC?

Mr. BAYNE. No. The Secretary shall estimate each year what the domestic use shall be—a certain figure. To that, shall be added the export use. He gets, let's assume, 1 billion bushels.

The CHAIRMAN. In other words, what you are doing is to set the amount of wheat to be exported and used domestically?

Mr. BAYNE. That is right.

The CHAIRMAN. All right. How can you attain that goal if you have limited acres?

Mr. BAYNE. By these certificates. Each farmer shall have a certificate which will represent his share of this shrunken market.

Senator YOUNG. Let me ask this question.

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Someone who did not have a wheat base, or if he had been planting under the 15-acre provision, he probably would get an 8- or 9-acre wheat base. That is all he gets certificates for.

Mr. BAYNE. That is right. He would receive exactly the same treatment as the commercial grower, except if his certificate is 200 bushels or less; he is exempt from the land-retirement requirement.

The CHAIRMAN. Well, how would you reduce the amount of wheat we have on hand? That is just what I cannot follow you in. What you do there is to say, well now, wheat consumption—domestic wheat consumption is 500 million bushels, exports 500 million, and you take off of that 150 million.

Mr. BAYNE. That is right.

The CHAIRMAN. Thereby making more or less a scarcity of wheat in the marketplace.

Mr. BAYNE. That is right.

The CHAIRMAN. But yet, you are going to permit the farmer to produce all he desires?

Mr. BAYNE. That is right. But he can only sell in the marketplace.

The CHAIRMAN. What will he do with the surplus he will have?

Mr. BAYNE. He can sell that in the feed market or the industrial market—or he can feed it or seed it or store it.

The CHAIRMAN. You think the corn people are for this?

Mr. BAYNE. If we can show them, we will reduce the feed acres competing in this market by an excess of 5 million acres.

The CHAIRMAN. You are doing that at a cost to the Government. You have in mind something along the soil bank program.

Mr. BAYNE. Something similar to that.

The CHAIRMAN. And if Congress does not pass that, what becomes of your program?

Mr. BAYNE. This program, insofar as wheat is concerned, will operate without the soil bank. The soil bank is not necessary to the operation of this program.

The CHAIRMAN. Suppose this. Suppose the farmer, then, is not familiar or has not the avenue in which he can put these excess acres. What is he going to do with them? You are talking about not affecting his income. Won't you really affect his income if you say to him that "your acreage would be reduced to 39 million instead of 55," and that he cannot count on that except to sell in competition with corn? If that doesn't reduce his income, I don't know what does.

Remember, I am trying to get your ideas now, because I don't understand them.

Mr. BAYNE. That is right.

The CHAIRMAN. It is complicated.

Mr. BAYNE. I hope I can make myself clear before we are through, Senator.

There are a number of types of soil retirement programs now being discussed, as you know—some in which the grower participates to a certain extent by donating land. Some are being discussed similar, exactly similar, to our present soil conservation program; but whatever program is available, I believe that the wheat farmer under this program can live with it in order to show the corn, the feed man, that he is not going to dump wheat in the feed market in excess of what he is competing now. In fact, there will be a net reduction in the competition of wheat acres now producing feed.

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The CHAIRMAN. Well, your program will probably cause wheat to sell insofar as feed value is concerned, at the same rate that corn sells for.

Mr. BAYNE. That is right.

The CHAIRMAN. And it costs a great deal more to grow wheat than corn.

Mr. BAYNE. But over and against that for approximately half of the wheat basic acres, this farmer will be getting 100 percent of parity in the marketplace, or approximately that.

The CHAIRMAN. Now, today, on the subsidy that is paid, if you may call it a subsidy, in order to dispose of wheat abroad, it is based on 75 percent of parity.

Mr. BAYNE. That is right.

The CHAIRMAN. Sure. Yours would be based on 100 percent of parity.

Mr. BAYNE. That is right. And I pointed that out in this cost study.

The CHAIRMAN. Yes. I know the cost would increase considerably.

Mr. BAYNE. That is right, but against that would be the fact that this 1,300 million bushels which is now in CCC stock, which has a potential value of only 75 percent of parity, it would have a potential value of 100 percent of parity in recovery. It can only go into the marketplace under 100 percent of parity under this program.

The CHAIRMAN. How would the Department ever dispose of the wheat where you shrink your market by 150 million bushels and the theory behind all of this, so far as you are concerned, is to reduce your production to levels of your domestic and foreign consumption.

Mr. BAYNE. That is right. Let's look at it this way. Let's say that we have a potential market of 1 billion bushels and CCC has more wheat than they need. The farmer will have more wheat than they need. So we say to each other, "Let's share this market." Let's say to CCC, "You take 150 million bushels of it; we will take 850 million bushels of it." That is just the simplest way I can think of to make it work.

The CHAIRMAN. Do you mean to say then——

Mr. BAYNE. We are sharing this market.

The CHAIRMAN. When the CCC sells 150 million bushels, it would receive $2.36 a bushel.

Mr. BAYNE. That is right. That is absolutely right.

The CHAIRMAN. What an optimist you are.

Mr. BAYNE. If CCC is denied the right to sell into the marketplace at less than $2.36, and the demand for the wheat is there, it will go to that price.

The CHAIRMAN. But the thing is, you have got a lot of wheat scattered around that the farmer will produce, and the cost of administering this program would be, to me, enormous. You would have to have a policeman at each corner.

Mr. BAYNE. We have discussed this with people in the Department who had administered similar programs.

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The CHAIRMAN. Are they for it?

Mr. BAYNE. Yes. The ones we have discussed it with.

The CHAIRMAN. Can you get Mr. Benson for your program?

Mr. BAYNE. We have not had any adverse publicity from Mr. Benson on it.

The CHAIRMAN. Well, you wait.

Senator YOUNG. Let me ask a question.

You would have two kinds of wheat in the market. You have certified wheat and secondary wheat. That would be the way they are labeled in the market?

Mr. BAYNE. Primary and secondary.

Mr. BRUNS. There would not necessarily be a label on the wheat in the marketplace, but in order for wheat to be milled or exported, it would have to be followed by a certificate.

Mr. BAYNE. You have a cash price around $2.36, and to be eligible for that, they would have to have a certificate.

Senator YOUNG. You practically have to have two labels.

Mr. BRUNS. There would not necessarily be a label on the wheat could be commingled, but in order to mill wheat or export wheat, the miller or exporter would have to show evidence that he had valid certificates covering the wheat that he milled or exported.

The CHAIRMAN. If you have to sell that wheat abroad at $2.36——

Mr. BAYNE. That is where your subsidy would come in.

The CHAIRMAN. Exactly. It would increase.

Mr. BAYNE. That is right, but even with that increase, we are still showing a net savings, we think.

The CHAIRMAN. Your figuring is theoretical. You are saying something that may not happen. I can see where you can make a good case if all you say would happen, but I just cannot see with unlimited acreage, how the things you are saying are going to come to pass because your program would have to be hitched to other programs that have been on the statute books, that are expiring. I have in mind the soil bank in particular.

Mr. BAYNE. Our program would operate for wheat without soil bank. The only reason that we believe the soil bank belongs in there is that we recognize the total program.

The CHAIRMAN. Where would the farmer obtain revenues for these retired wheat acres you have, on No. II on page 4, if you had no program, no soil bank program?

Mr. BAYNE. If you had no soil bank program and you did not require any land to retire, he would be producing in the feed market, the immediate feed market, and competing in the feed market, which is bad; but so far as the operation of the program and the market-controlled portion of it, it does not hinge on the land retirement in any way, but we believe that wheat is a symptom of the total disease which is excessive production of small grains, feed grains.

The CHAIRMAN. Are there any further questions?

Is there anything else you desire to say?

Mr. BAYNE. I don't believe so.

The CHAIRMAN. Thank you, sir.

Our next witness is Mr. Baker.

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STATEMENT OF J. A. BAKER, DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. BAKER. Mr. Chairman, it is always an honor to appear before your committee. We come before you today with a double feeling of gratification and appreciation.

We heartily applaud the action of your committee, and particularly Chairman Ellender's efforts in bringing about the conduct and publication of the scholarly, scientific study published in Senate Document No. 77, "Farm Price and Income Projections, 1960–65, Under Conditions Approximating Free Production and Marketing of Agricultural Commodities."

Study of this document should be enough to convince any reasonable citizen that we cannot afford to adopt policies that move in the direction of the assumptions used in the report. Certainly the economic health of rural America would not be furthered by 90-cent wheat and a 60- to 75-percent cut in wheat farmers' net cash income, or by any program that moves gradually or rapidly in that direction.

In our opinion, Mr. Chairman, your efforts in getting this report published and getting the work done that went into that was a very valuable contribution to take the arguments out of the polemic area into the scientific area.

The CHAIRMAN. If you will notice, in the conclusions reached in that report, this committee has taken no part in it. It is really, the conclusions reached, are based on a study made by the commission from the land grant college. As you know, the report states or quotes the land grant college as saying that the commission felt that the Department's figures were a little on the conservative side.

Mr. BAKER. Yes, sir; and that is why, in our opinion, Mr. Chairman, this is a signal contribution to future intelligent discussion of the farm policy issues.

The CHAIRMAN. OK. I appreciate your remarks very much.

Mr. BAKER. Moreover, we believe that the national interest would be benefited from action by Congress that would enable wheat farmers to increase their incomes. In addition, the program for wheat must be changed to reduce the cost to the Federal Treasury. We are convinced that both ends can be attained by adoption and operation of a properly designed market supply control and export subsidy program.

In our view this means taking appropriate action to raise the market price received by farmers to the parity level while restricting the volume of wheat placed on the market to the quantity that will bring approximately the parity price. By reducing the quantity of farmers' marketings to less than this figure for a few years, any needed adjustments in Government-held inventory may be made as a profitable, rather than a losing, operation for the Federal Government, and at the same time improve, rather than injure, wheat farmers' economic status.

As other witnesses have already stated, a broad cross section of organizations representing wheat producers and other farmers have sought, through careful study, discussion and deliberation, to develop a recommended workable program that will attain these aims. We, in the Farmers Union, are gratified to have been a part of this united effort.

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We respectfully urge your favorable consideration of the proposal presented and supported here today by representatives of the National Grange and the National Association of Wheat Growers, in addition to Farmers Union.

In addition to the representatives of commodity producer groups mentioned by an earlier witness, Mr. Robert Casper, of the National Farmers Organization, when he found it impossible to be here personally, asked me to add the voice of his organization to support of the agreed-upon proposal. I am additionally authorized by Mr. L. C. Carpenter, legislative representative of the Missouri Farmers Association, to give to the committee the generally favorable attitude of that fine organization toward the wheat proposal and the type of approach provided in the bill introduced by Senator Symington, a member of your committee, which, as applied to wheat, would provide the same carefully tailored supply management program as that we have recommended here today. All of our groups are agreed not only on this wheat program, but we also would like to see enacted a general comprehensive enabling act along the lines of the Humphrey and Symington bills, which would authorize the development and operation in this same sort of price and supply management program for all farm commodities.

It is, indeed, gratifying and encouraging that such a broad area of agreement and unified approach has been developed concerning a proposal to improve the wheat program and with respect to the general farm income legislation.

We commend the proposal of your committee for careful study, further hearings, and such further refinements and adjustments that you might find to be needed. We think after you study the proposal you will approve it.

Because we think we have developed a workable wheat program in the national interest, superior in many respects to any prior suggestions, we hope you will favor it, as we do, in preference to other pending proposals. Because these other pending proposals would bring about greater or lesser reductions in wheatgrowers' net cash income, we have no other course open to us than to register with you our opposition to them.

I wish to be fully associated with the statements very ably presented to your committee today by spokesmen to the National Grange and of the National Association of Wheat Growers.

We all appreciate your taking the time and interest to allow us to present our point of view and to explain, for your favorable review, the proposal upon which we have attained such a wide area of agreement and unity among us. Your chairman asked our groups to get together and come up with something specific that we could agree on. We have done so.

I shall conclude my oral testimony at this point, Mr. Chairman, with the request that I may be granted the privilege of inserting the remainder of my prepared statement in the record at this point, or if you like, Mr. Chairman, I can read it, which is a further explanation of the proposal.

The CHAIRMAN. Without objection, that will be done.

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(The statement is as follows:)

In the following section of my statement, I shall analyze the agreed-upon proposal from the standpoint of the individual wheat farmer, and show how the proposal will reach its objectives for the individual farmer through the working of the program that would be put into operation.

The objective from the standpoint of the individual wheat producer is a simple and clean-cut one.

To give him an opportunity to sell his share of the naational market for wheat for food use and export at a price, on the average, of approximately $2.40 per bushel.

Wheat produced and sold by the farmer in excess of his bushelage marketing quota would be considered secondary wheat and would be sold only for feed and industrial uses. It would be priced in relation to whatever program is in effect or enacted for the various feed grains.

The producer would be required to retire at least 20 percent of his wheat base acreage to a noncommercial conservation use and would be privileged to so retire up to not more than 50 percent of his wheat base. On such retired acres the producer would receive such cost-sharing and rental payments as are provided in the conservation program available to farmers generally under whatever program, if any, is then effective.

So that the individual producer, rather than a speculator, can obtain full benefit of the parity price, as well as to safeguard orderly marketing, a loan is provided so that the producer can hold his wheat during and after harvest so that heavy marketings early in the season will not severely depress the market price below the parity resale price of Commodity Credit Corporation wheat.

How will the proposal operate to provide these results for the individual producer? And what safeguards are required to be sure that such results do, in fact, accrue to the producer?

It is the basic premise of the proposal that the general market value of quota (or certificated) wheat will be established at parity by the resale sale price of Commodity Credit Corporation.

This is made effective by three other provisions:

(1) The requirement that only quota wheat may be milled for food or exported; and

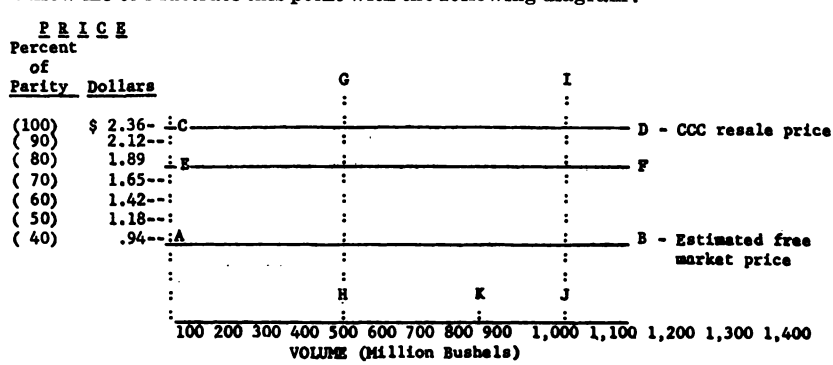
(2) The setting of the national marketing quota at 150 million bushels less than the quantity that will be used for food and export at the parity-level Government resale price;

(3) The Government commodity loan.

These three provisions would effectively require that the millers and exporters go to Commodity Credit Corporation for 15 percent or more of the total needed annual supply. Such Government wheat could be obtained only at the parity resale price. No producer would need to sell his wheat at less than such resale price, and would be enabled to hold his wheat to get such price early in the season by his ability to obtain a Government loan on his wheat.

Adequate provision is made to see to it that the initial estimate of food use and export requirements are actually realized in fact. These provisions are absolutely essential to the success of the program. If actual food use and exports do not equal or exceed the estimate, the market price for wheat will sink to the loan level, rather than rise to the CCC resale price.

Allow me to illustrate this point with the following diagram:



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The line AB indicates the approximate free market price for wheat indicated by the analysis published in Senate Document No. 77. With no program at all, farmers would receive approximately 90 cents per bushel for wheat.

The line CD is the 100 percent of parity proposed CCC resale price for wheat—$2.36.

The line EF is the current support price for wheat at 75 percent of parity—approximately $1.77 per bushel.

The proposal requires the Secretary to estimate the quantity of wheat that would be used domestically for food at the 100 percent of parity price—say 500 million bushels. This is shown by line GH.

The proposal also requires the Secretary to state the quantity that he will see to it will be exported—say 500 million bushels.

Adding the domestic food estimate to the export estimate gives a national total requirement of 1 billion bushels, shown by the line IJ.

Under the proposal we recommend, the national market quota would be 850 million bushels (1 billion minus 150 millions) shown as point K.

The market (for export and milling into domestic food) would thus buy 850 million bushels of wheat from farmers and 150 million bushels from Commodity Credit Corporation. Since the needed 150 million bushels could be obtained only by paying the $2.36 (100 percent of parity) resale price, any farmer could also sell his wheat for $2.36, if the projected or estimated volume of exports were actually realized.

To bring this about the Government would be required, through export subsidies and otherwise, to see to it that approximately the full total of estimated exports were in fact removed from the domestic market. To be sure that the proposal will work as intended, it contains a mandatory requirement that the Secretary shall take such actions as are required to see to it that the full volume of his estimated exports figure will in fact be equaled or exceeded or, alternatively, that not less than the estimated exports minus 150 million bushels will be exported from privately owned stocks.

Why is this necessary?

Going back to the diagram: The Secretary estimated 500 million bushels of exports in addition to 500 million bushels domestic. This made a total national requirement of 1 billion bushels. If realized, this would force the market price to the 100 percent of parity ($2.30) resale price.

Suppose, however, that action was not taken to export the full estimate of 500 million bushels (or that exports from CCC stock were 200 million bushels instead of 150 million). Let us assume that instead of the estimated 500 million bushels of exports, realized exports were, in fact, only 300 million bushels (or alternatively, were 500 million bushels of which 200 million were from CCC stocks).

In this case, 550 million, rather than 500 million bushels of farmers' wheat would be left on the domestic food market. Neither millers nor exporters would be required to buy CCC wheat to fill their needs. With the very high farm price inelasticity of wheat, the market price of wheat would plummet to the lower level established by whatever loan price is in effect, or by speculation concerning the supply situation in the next succeeding market year.

I conclude from this analysis that the legislation to carry out its objectives for the individual producer must provide specifically the two mandatory requirements we have recommended with respect to wheat exports:

1. The actual volume of exports during the marketing year shall be not appreciably less than the volume of the estimated exports used in determining the national marketing quota; and

2. Export subsidies equal to the extent to which the realizable world price is less than the CCC resale price shall be made fully and actually available for a quantity of exports not less than the volume of exports estimated for purposes of establishing the national marketing quota.

If either of these conditions are not met, the price received by farmers will be at the 65 or 75 percent of parity loan level rather than the 100 percent of parity CCC resale price.

With these mandatory provisions respecting exports, the proposed legislation is a 100 percent of parity for controlled supply program; without them it is a 65 percent of parity for reduced supply program. The former is better for farmers and less costly to the Government than the existing wheat program; the latter would reduce wheat farmers' income and cause continued high costs to the Government.

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The proposal we have presented to you meets these requirements by providing that the Secretary shall ascertain, prior to estimating the exports for any marketing year, that the means are available to him to bring about the export of approximately the quantity of wheat he estimates will be exported and that no CCC stocks will be released for export at less than the established parity resale price. The proposal, also, provides that to the extent that actual exports fall short in any marketing year of the estimated quantity, he shall reduce the quantity of wheat made available from CCC stocks below the 150 million bushel figure.

Under these circumstances a producer could sell all of his marketing quota wheat at the parity resale price sometime within the marketing year.

What about the provision that allows unlimited production of secondary wheat for sale as for feed and industrial uses? Would this injure established feed grain producers? No, the program will actually reduce the volume of feed grain marketed by wheat producers.

Such secondary wheat as was produced and sold would become a part of national feed grain supply. We hope and urge that an improved feed grain program will be soon adopted. If it is, secondary wheat would have to be included therein. If such program is not adopted, secondary wheat would come under the general protection of the existing feed grain program which is one of no control on production with supports at the feed value equivalent to 65 percent of parity for corn. Of course, secondary wheat as such would not be eligible for price support under existing law; but its market price would be established in relation to the support level for corn.

Under either circumstance, the secondary wheat provision of the proposed legislation would not injure or threaten established corn, grain sorghum, and other feed grain producers.

In summary, the proposed program, the approval of which we strongly urge, provides:

A. Stabilization level: Parity price.

B. Method of stabilization: Effective combination of export payments and marketing quotas expressed in bushels.

C. Conditions of eligibility: Compliance with marketing quota and with conservation requirement.

D. Volume of marketing quota: Total of domestic food use plus exports.

E. Actual quantity covered by the national marketing quota would vary with the volume of exports that the Secretary indicates he is willing to make payments on when he makes his estimate of requirements.

The CHAIRMAN. Are there any questions?

Senator YOUNG. I would like to just say this.

The proposal has a great deal of merit, but it is not the easiest plan to explain to Members of Congress and others who are not familiar with the farm legislation.

Mr. BAKER. The problem sometimes, Senator Young, is which part of it do you speak about first in making an explanation. Probably the first thing that you ought to say instead of saying that there is no acreage controls, maybe the first thing you ought to say is that nobody can mill or export any wheat unless they have a marketing quota certificate or a marketing card to back it up.

There are two essential, or maybe I should say three essential elements that make the program work, to come out with the results that the previous witness went into detail, as to what the results would be.

One of those is the making of hard and fast estimate of domestic food plus exports, which will be actually effective, minus 150 million bushels.

The 15-acre problem must be met and handled with everyone concerned, regardless of which wheat program you have. It could be handled just as easy, in fact easier, on the bushel market basis, as it could in a flat acreage basis.

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Senator YOUNG. I think you are perhaps right. If you are going to have any wheat program, you are going to have to meet this 15-acre problem.

Mr. BAKER. This is a real problem. We all understand the dimensions of it.

The CHAIRMAN. Any further questions.

If not, thank you.

The committee will stand in recess until our next regular meeting, or on call of the chairman.

(Whereupon, at 1:25 p.m., the above-entitled meeting was adjourned.)

(Letter filed for the record is as follows:)

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
February 5, 1960.

Senator ALLEN J. ELLENDER,
Chairman, Committee on Agriculture,
Senate Office Building.

DEAR SENATOR ELLENDER: I have received many letters and telegrams from Idaho wheat producers, and from associations representing them, in opposition to S. 2759, on which the committee has recently held hearings.

The producers tell me that the drastic reductions in allotted acreage proposed in this bill, combined with the progressive lowering of support prices, would mean economic disaster to them. I believe this to be the fact, with the inevitable consequence that nearly all commercial producers would be driven into noncompliance.

Idaho producers are prepared, however, to support a realistic wheat program. I believe the marketing program for wheat developed in conference among the National Wheat Growers Association, the National Grange, the National Farmers Union, and other farm organizations is soundly conceived to solve the problem of surplus production without imposing intolerable loss of income upon the wheat farmers. This program has evolved from the domestic parity concept, and would apply to wheat the principle which has brought stability to the sugar industry: the balancing of supply with demand through effective marketing controls. I hope the committee will consider legislation to implement this program, and that it may be reported to the Senate.

I will appreciate it if this letter can be made a part of the hearings record on S. 2759.

My warmest personal good wishes to you.

Sincerely,

FRANK CHURCH.

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WHEAT ACT OF 1960

WEDNESDAY, APRIL 20, 1960

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to call, at 10:10 a.m., in room 324, Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston of South Carolina, Holland, Humphrey, Symington, Young of Ohio, Hart, Aiken, Young of North Dakota, Hickenlooper, Mundt, and Schoeppel.

Also present: Senator Carlson.

The CHAIRMAN. The committee will come to order.

As most of you know, this committee is very anxious to send to the Senate a wheat bill. I believe it is incumbent on this committee to work on the problem until we are able to have one that will meet the majority approval of this committee. Now, what that is going to be, I don't know. But I imagine it will be quite a tussle in order to be able to get one out of this committee.

Of course we are all reasonable men and I feel that after hearing the various divergent views from various organizations and from some Senators, we might be able to develop something.

As I stated on many occasions, the wheat surplus is such and the Government has so much money invested in wheat that something must be done. As I remember, we have almost a year and a half supply on hand and we are going to have quite a big crop this year that will add to our surplus. We have over $3¼ billion tied up in wheat and if the farm program on all other commodities is to continue, it strikes me that something must be done about wheat. The whole farm program may be at stake.

Now, at this point in the record, I would like to place the first bill that was introduced by me, S. 2759. There is nothing new in the bill, except that it tries to carry out nearly what the conferees agreed to last year. That bill, as you recall, was turned down by the House, and the House version was vetoed by the President. The bill and short analysis will be placed in the record at this point.

EXPLANATION OF S. 2759

This bill, with respect to the 1961 and subsequent wheat crops, would—

(1) Provide price support at 80 percent of parity for the 1961 crop, 75 percent for the 1962 crop, 70 percent for the 1963 crop, and 65 percent for the 1964 and subsequent crops;

(2) Reduce each farm acreage allotment by 20 percent for the 1961 crop, and 25 percent for the 1962 and subsequent crops;

(3) Prevent the diversion of such acreage reduction to other price-supported crops in 1961, by conditioning wheat price support on reducing the acreage of

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price-supported crops below the 1958-59 average by an acreage equal to the percent of reduction;

(4) Provide a payment in kind in 1961 (one-third average annual yield) on acreage equal to such percent of reduction, if such acreage is not harvested or grazed;

(5) Impose penalties on the actual yield of the excess acres (or double the normal yield if the actual yield is not shown);

(6) Increase the marketing penalty to 65 percent of parity (from 45 percent);

(7) Reduce the 15-acre exemption to 12, and restrict it to farms which planted wheat in 1958, 1959, or 1960 and to producers who produce wheat on only one farm;

(8) Remove the 30-acre limitation on the feed wheat exemption; and

(9) Restrict to farms complying with their allotments the right to withdraw wheat stored from a previous crop to avoid penalty.

The bill would also (*a*) repeal the 200-bushel exemption; (*b*) prevent an acreage history penalty where by reason of production failure, the producer has no marketing excess which he can store to avoid such a penalty; (*c*) repeal authority for price support for noncooperators for any basic agricultural commodity; and (*d*) repeal a provision requiring the county agent or the local committee chairman to keep an additional copy of the acreage allotment list for each commodity.

(NOTE.—The bill, S. 2759, is on p. 5.)

The CHAIRMAN. Then there is S. 3159 by my good friend, Senator Carlson, for himself, Mr. Magnuson, Mr. Young of North Dakota, Mr. Humphrey, Mr. Case of South Dakota, Mr. Curtis, Mr. Mundt, Mr. Church, Mr. Moss, Mr. Murray, Mr. Morse, Mr. Jackson, Mr. Yarborough, Mr. Mansfield, Mr. Kennedy, Mr. Allott, Mr. Symington, Mr. Schoeppel, and Mr. McGee, and this bill is, as I understand, supported by several prominent farm organizations.

Then we have S. 3336 by Senator Hickenlooper, for himself, Mr. Lausche, and Mr. Dirksen, and this is supposed to be the Farm Bureau bill.

Senator YOUNG of North Dakota. When was that introduced?

The CHAIRMAN. April 5, 1960. And I will ask that at the end of each bill a short explanation of them be included so those reading the record will find what the bill contains; that is, the highlights of it. And then there is a committee print containing suggestions by a very able member of this committee, Senator Young. Although it hasn't been introduced, his suggestions have been put in a bill merely for the purpose of study in connection with other bills.

Senator YOUNG of North Dakota. And in very rough form and intended as an amendment to your bill.

This was intended not as a bill for introduction, but was a very hastily drawn proposal, parts of which would be very greatly changed before being offered as an amendment to the Ellender bill, which would increase price supports.

The CHAIRMAN. And in rough form, and attached to this committee print is a short explanation of it and it will go in the record at this point.

(S. 3159, S. 3336, the committee print, and their analyses are as follows:)

SHORT EXPLANATION OF S. 3159

This bill is designed to provide wheat producers with parity prices for primary-use wheat (wheat for food and export) and reduce CCC wheat holdings by 150 million bushels per year, by restricting the quantity of wheat available for food and export. A national wheat primary-use requirement (estimated domestic food consumption and exports, less 150 million bushels) would be apportioned through States and counties to farms. Wheat could be processed for

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food or exported only if certified to be (1) within a farm primary-use share, (2) purchased from CCC, (3) penalty-free wheat from a crop harvested prior to 1961, or (4) in the channels of trade on July 1, 1961. The price of wheat covered by a farm primary-use share would be supported by loan at not less than 75 percent of parity, but (*a*) if the price received by farmers for primary-use wheat should drop below 90 percent of parity, CCC would be required to purchase the amount of wheat described in clauses (3) and (4) above, and (*b*) if the Secretary overestimated the national primary-use requirement, CCC would purchase the excess at parity. In order to be eligible to market primary-use wheat within a farm share, the farm would have to retire tillable acreage equal to 10 percent of its wheat base (as defined in the bill) to conservation without compensation and an additional 10 percent to the extent that compensation was provided therefor. CCC would be prohibited from selling wheat at less than parity.

[S. 3159, 86th Cong., 2d sess.]

A BILL To amend the Agricultural Adjustment Act of 1938, as amended, to establish a marketing program for wheat

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Wheat Marketing Act of 1960."

SEC. 2. Section 301(a)(1)(B) of the Agricultural Adjustment Act of 1938 is amended by adding at the end thereof the following new sentence: "As used in this subparagraph the term 'prices' as applied to wheat shall mean the average price received by farmers for primary-use wheat."

SEC. 3. Title III of the Agricultural Adjustment Act of 1938, as amended, is further amended (1) designating subtitles D and E as subtitles E and F, respectively, and (2) by inserting after subtitle C a new subtitle D as follows:

"SUBTITLE D—MARKETING PROGRAM FOR WHEAT

"LEGISLATIVE FINDINGS

"SEC. 379a. Wheat, in addition to being a basic food, is one of the great export crops of American agriculture and its production for domestic consumption and for export is essential to the maintenance of a sound national economy and to the general welfare. The movement of wheat from producer to consumer, in the form of the commodity or any of the products thereof, is preponderantly in interstate and foreign commerce. That small percentage of wheat which is produced and consumed within the confines of any State is normally commingled with, and always bears a close and intimate commercial and competive relationship to, that quantity of such commodity which moves in interstate and foreign commerce. For this reason, any regulation of intrastate commerce in wheat is a regulation of commerce which is in competition with, or which otherwise affects, obstructs, or burdens interstate commerce in the commodity. In order to provide an adequate and balanced flow of wheat in interstate and foreign commerce and thereby assist farmers in obtaining parity of income by marketing wheat for domestic consumption and export at parity prices, and to assure consumers an adequate and steady supply of wheat at fair prices, it is necessary to regulate all commerce in wheat in the manner provided by this subtitle.

"NATIONAL WHEAT REQUIREMENT FOR PRIMARY USE

"SEC. 379b. Not later than May 15 of each calendar year, the Secretary shall determine and proclaim the national wheat requirement for primary use which shall be in effect with respect to the marketing of wheat during the marketing year beginning on July 1 of the next succeeding calendar year. The national wheat requirement for primary use for any marketing year shall be a number of bushels equal to the sum of the number of bushels which he estimates (1) will be consumed as human food in the United States, or outside of the United States by members of the Armed Forces, during such marketing year, (2) will be processed into food products composed wholly or partly of wheat and exported during each marketing year, and (3) or will be exported during such marketing year in unprocessed form, less one hundred and fifty million bushels, except that, if exports of wheat in unprocessed form are estimated to exceed four hundred and fifty million bushels during such marketing year, and the Secretary determines that the stocks of the Commodity Credit Corporation are excessive this reduction shall be increased by one-half of the excess above four hundred and fifty million

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bushels. For purposes of this subtitle, the term 'food' does not include liquor or beverages, and the term 'export' includes any wheat used by the Secretary to make export subsidy payments, but does not include shipments of food products for consumption by the Armed Forces outside the United States.

"APPORTIONMENT OF NATIONAL WHEAT REQUIREMENTS FOR PRIMARY USE

"SEC. 379c. (a) (1) The national wheat requirement for primary use, less a reserve of not to exceed 1 per centum thereof for apportionment as provided in this subsection, shall be apportioned by the Secretary among the several States in such manner that the share of the requirement of any State will bear the same ratio to the national requirement as a figure determined by multiplying the base acreage of such State by its average yield bears to the corresponding figure for all of the States.

"(2) For the purpose of this subsection—

"(A) the base acreage of a State shall be the average acreage seeded for the production of primary-use wheat during the ten calendar years immediately preceding the calendar year in which the national wheat requirement is determined with adjustments for abnormal weather conditions and for trends in acreage during such period, except that where such ten-year period includes one or more years during which part III of subtitle B of this title was in effect, the acreage seeded for the production of primary-use wheat in each such year for purposes of this subsection shall be deemed to be the acreage determined for purposes of section 334(c) while it was in effect to have been the acreage seeded for the production of wheat plus the acreage diverted for such year, and except that where such ten-year period covers one or more years in addition to those in which part III of subtitle B of this title was in effect, prior to the 1961 crop of wheat the acreage seeded of primary-use wheat for such years shall be deemed to be the wheat base acres for such year; and

"(B) the average yield of the State shall be the average, weighted by the county base acreage, of the normal yields of the counties in the State.

"(3) The reserve set aside herein for apportionment by the Secretary shall be used to make increases in the share of the requirement apportioned to counties under subsection (b) of this section, on the basis of the relative needs of counties for an additional share of the requirement because of reclamation and other new areas coming into the production of wheat during the ten calendar years ending with the calendar year preceding the year in which the national wheat requirement for primary use is proclaimed.

"(b) (1) The State share of the national requirement for wheat, less a reserve of not to exceed 2 per centum thereof for apportionment as provided in subsection (c) of this section, shall be apportioned by the Secretary among the counties in the State in such manner that the share of the requirement of any county will bear the same ratio to the State share as a figure determined by multiplying the base acreage of such county by its normal yield bears to the corresponding figure for all of the counties in such State.

"(2) (A) For the purpose of this subsection, the base acreage of a county shall be the average acreage seeded for the production of primary-use wheat during the ten calendar years immediately preceding the calendar year in which the national requirement is determined with adjustments for abnormal weather conditions and for trends in acreage during such period, except that where such ten-year period includes one or more years during which part III of subtitle B of this title was in effect, the acreage seeded for the production of primary-use wheat in each such year for purposes of this subsection shall be deemed to be the acreage determined for the purposes of section 334(b) while it was in effect to have been the acreage seeded for the production of wheat plus the acreage diverted for such year, and except that where such ten-year period covers one or more years in addition to those in which part III of subtitle B of this title was in effect, prior to the 1961 crop of wheat the acreage seeded for primary-use wheat for such years shall be deemed to be the wheat base acres for such years.

"(B) For purposes of this subsection the county normal yield shall be the normal yield established for the first year of the operation of this Act.

"(c) (1) The county share of the national requirement shall be apportioned by the Secretary, through the county committees, among the farms within the county on which wheat has been planted during any one of the three marketing

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years immediately preceding the marketing year in which the apportionment is made, in such manner that the share for any farm shall bear the same ratio to the county share as a figure determined by multiplying the base acreage of such farm by its normal yield bears to a corresponding figure for all of the farms in such county entitled to receive a share of the national requirement for wheat.

"(2) For the purpose of this subsection, subject to the provisions of paragraph (4), the base acreage of a farm shall be determined by apportioning, through the county committees, the county base acreage among the farms in the county on the basis of past acreage of wheat, tillable acres, crop rotation practices, type of soil, and topography. The past acreage of wheat on a farm for purposes of this subsection for any year during which part III of subtitle B of this title was in effect shall be the same as the past acreage of wheat on the farm as determined for the purposes of section 334(c) while it was in effect.

"(3) Not more than 2 per centum of the State share shall be used for apportionment to farms on which wheat has not been planted during any of the three marketing years immediately preceding the marketing year in which the apportionment is made. The Secretary may be regulations provide for the distribution of the farm share among individual producers on the farm on the basis of their respective shares in the wheat crop, or the proceeds thereof.

"(4) If a producer is dissatisfied with the base acreage of his farm as determined under paragraph (2), he may, if the wheat base acreage of on the farm is less than fifteen acres, apply to the Secretary who shall establish an adjusted base acreage for the farm of not to exceed the smaller of fifteen acres or the average acreage seeded to wheat for harvest as grain during the immediately preceding years not to exceed ten, beginning with the 1958 crop of wheat times the ratio of the total base acreage of the county for 1960 to the total acreage allotments for such county for such year. In the case of a farm which is located in a State which was, on the date of enactment of the Wheat Marketing Act of 1960, outside of the commercial wheat producing area, the past acreage of wheat for the farm in any year shall be considered to be the average acreage seeded to wheat for harvest as grain during the immediately preceding years not to exceed ten, beginning with the 1958 crop of wheat. State and county shares of the national wheat requirement for primary use shall be increased by the amount necessary to reflect any increases which may result from the application of this paragraph. The Commodity Credit Corporation shall purchase an amount not to exceed such increased shares plus the amount of primary-use wheat specified in paragraphs (2) and (4) of subsection 379(b) if at any time during the marketing year prices received by farmers for primary-use wheat drop below 90 per centum of the parity price for the month such purchase was made.

"PRIMARY USE OF WHEAT

"SEC. 379d. (a) No person shall process wheat into food products composed wholly or partly of wheat, and no person shall export which has not been so processed, unless such wheat is certified to be primary-use wheat or to represent primary-use wheat.

"(b) For the purposes of subsection (a), wheat shall be considered to be certified to be primary-use wheat if—

"(1) the producer thereof designates it as primary-use wheat and certifies that the amount thereof, when added to other wheat marketed by such producer as primary-use wheat during such marketing year, does not exceed the farm share of the national wheat requirement for primary use (or portion thereof distributed to such producer) and that the farm on which produced is in compliance with section 379f;

"(2) the producer thereof certifies that it was harvested prior to the calendar year in which the first marketing year for which this subtitle is in effect begins, and could have been sold prior to the beginning of such marketing year without the payment of a marketing penalty under the Act of May 26, 1941 (7 U.S.C. 1340), and that no wheat has been substituted therefor as primary-use wheat;

"(3) such wheat was purchased from the Commodity Credit Corporation after the effective date of this Act at the price specified in section 407 of the Agricultural Act of 1949, as amended, and the purchaser certifies that no wheat has been substituted therefor as primary-use wheat; and

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"(4) such wheat was in the channels of trade on the effective date of this Act.

"(c) For the purposes of this section (1) wheat shall be considered to be certified to represent primary-use wheat if the person from whom the wheat was obtained certified that such wheat was, or has been substituted for an equal quantity of wheat which was, certified to be primary-use wheat or to represent primary-use wheat when he obtained it, and (2) wheat marketed prior to the beginning of a marketing year shall be considered to have been marketed subsequent to the beginning of such marketing year if it is harvested during the calendar year in which such marketing year begins.

"(d) Certifications required under this section may be made through the use of certificates, marketing cards, endorsements on bills of lading or warehouse receipts, or in any other manner, as may be prescribed in regulations of the Secretary.

"(e) No farm share (or portion thereof) of the national wheat requirement for primary use, and no right to consider wheat as primary-use wheat or as representing primary-use wheat, may be transferred except in connection with the transfer of wheat, as provided in this section.

"FORFEITURES FOR VIOLATIONS

"SEC. 379e. Any person who—

"(1) violates section 379d(a), or

"(2) in connection with the sale or other transfer of wheat, falsely certifies or otherwise represents wheat to be primary-use wheat, or to be wheat which represents primary-use wheat, when such wheat does not meet the requirements of section 379d,

shall forfeit to the United States a sum equal to three times the number of bushels of wheat involved in the violations, multiplied by the parity price of wheat for the month in which the misrepresentation occurs. Such forfeiture shall be recoverable in a civil action brought in the name of the United States.

"LAND RETIREMENT

"SEC. 379f. No wheat producer shall be eligible to participate in a program under this subtitle for any year unless he has placed in a land retirement soil conserving use a portion of the tillable acres on his farm equal to 10 per centum of the base acreage of the farm established under section 379c. Such land retirement soil conserving use shall meet such requirements as the Secretary may prescribe. No payments shall be made to producers for complying with the first sentence. In any year in which the conservation reserve program under the Soil Bank Act or similar land retirement program is in effect, a wheat producer, in order to be eligible to participate in programs under this subtitle, must place an additional portion of the tillable acres on his farm equal to 10 per centum of the base acreage of the farm as so established in such program, to the extent the funds available for such program permit.

"ADJUSTMENT IN NATIONAL WHEAT REQUIREMENT FOR PRIMARY USE

"SEC. 379g. If the Secretary has reason to believe that because of a national emergency or because of a material increase in demand for wheat, the amount of primary-use wheat should be increased, he shall cause an immediate investigation to be made to determine whether the increase is necessary in order to meet such emergency or increase in the demand for wheat. If, on the basis of such investigation, the Secretary finds that such increase is necessary, he shall immediately proclaim such finding (and if he finds an increase is necessary, the amount of the increase found by him to be necessary) and thereupon such requirements for the next succeeding marketing year shall be so increased. In case any national wheat requirement for primary use is increased under this section, each farm share for wheat shall be increased in the same ratio.

"REPORTS AND RECORDS

"SEC. 379h. (a) The provisions of section 373(a) of this Act shall apply to all persons, except wheat producers, who are subject to the provisions of this subtitle, except that any such person failing to make any report or keep any

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record as required by this section or making any false report or record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than $2,000 for each such violation.

"(b) The provisions of section 373(b) of this Act shall apply to all wheat farmers who are subject to the provisions of this subtitle.

"PURCHASES BY COMMODITY CREDIT CORPORATION

"SEC. 379i. If the Secretary determines that the sum of the number of bushels of wheat which, during a marketing year, will or are likely to (1) be consumed as human food in the United States, or outside the United States by members of the Armed Forces, (2) be processed into food products composed wholly or partly of wheat and exported, or (3) be exported in unprocessed form, exceeds by more than fifty million bushels the estimate of such sum used in determining the national wheat requirement for primary use for such marketing year, then the Secretary shall add to his estimate for the next year an amount equal to such excess. In the event such sum falls short of the estimate of such sum used in determining the national wheat requirement for primary use for such marketing year then the Commodity Credit Corporation shall purchase at parity in the month in which such purchase is made during such marketing year sufficient number of bushels of wheat to eliminate such shortage.

"SECONDARY USE OF WHEAT

"SEC. 379j. Except as provided in section 379d(a) nothing in this subtitle shall be considered to prohibit or restrict the transfer or use of wheat for secondary use. For purposes of this subsection, wheat shall be for secondary use if it is not (1) consumed for human food in the United States, or outside the United States by members of the Armed Forces, (2) processed into food products composed wholly or partly of food products and exported, or (3) exported in unprocessed form.

"EXPORT SUBSIDIES

"SEC. 379k. Subsidies required to export wheat shall be paid in kind, up to a maximum of fifty million bushels in any year, from stocks of the Commodity Credit Corporation, and any additional subsidy required to attain the estimated exports for that year shall be paid in cash."

SEC. 4. Section 361 of the Agricultural Adjustment Act of 1938 is amended by striking out "wheat," and by inserting before the period at the end thereof the following: ", and to the publication and review of farm shares of the national wheat requirement for primary use established under subtitle D."

SEC. 5. Part III of subtitle B of title III of the Agricultural Adjustment Act of 1938 and Public Law 74 of the Seventy-seventh Congress (7 U.S.C. 1340) shall not apply with respect to marketing years beginning on and after July 1, 1961.

SEC. 6. Title I of the Agricultural Act of 1949 is amended by adding at the end thereof the following new section:

"PRICE SUPPORT (WHEAT)

"SEC. 106. Notwithstanding any provision of section 101 of this Act, beginning with the 1961 crop of wheat, price support shall be made avaliable through loans to producers of wheat at a level not less than 75 per centum of the parity price for wheat as determined by the Secretary as of May 1 prior to the beginning of the marketing year, on the amounts of the farm share of the national wheat requirement for primary use of such producers for such year."

SEC. 7. Section 407 of the Agricultural Act of 1949 is amended by inserting immediately after the fourth sentence thereof the following: "The Corporation shall not sell or transfer any wheat for a primary use described in clauses (1), (2), or (3) of section 379b of the Agricultural Adjustment Act of 1938 use at less than the parity price of wheat for the month in which such sale or transfer is made, except that the Corporation may make sales for secondary use at below such price for any of the purposes specified in clauses (A), (D), and (E) above or in the next to the last sentence of this section. In no event shall the Corporation sell or transfer more than one hundred and fifty million bushels of wheat for primary use in any marketing year when the price received by farmers for primary-use wheat is expected to be less than the parity price thereof."

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SEC. 8. The provisions of subtitle D of title III of the Agricultural Adjustment Act of 1938, which were added by section 2 of this Act, shall be in effect only with respect to the marketing year beginning July 1, 1961, and each of the succeeding marketing years.

SHORT EXPLANATION OF S. 3336

The Farm Bureau bill provides for—

(1) Elimination of wheat marketing quotas and acreage allotments beginning with 1961 crop;

(2) Basing the wheat price support level, beginning with the 1961 crop on the support level for corn, with appropriate adjustments, but the 1961 support level is not to be less than 120 percent of the 1961 corn support level;

(3) Raising the CCC minimum wheat resale price to 150 percent of the current support rate, plus reasonable carrying charges, until CCC stocks reach "normal." (The bill indicates that "normal" is defined by law, but there is no definition of normal CCC stocks. Because the bill places this provision at the end of section 407 of the 1949 act, it would not be subject to the exceptions contained in section 407. We understand this result was not intended);

(4) Prohibiting sales of CCC wheat for export under Public Law 480, 83d Congress, or similar programs in excess of the average level of such sales in the marketing years 1957, 1958, and 1959. (This doesn't prevent CCC from financing the sale of private stocks under Public Law 480, and the reason for this provision is not entirely clear);

(5) Authorizing donations of wheat to friendly peoples for urgent relief (this is similar to title II of Public Law 480, but would not be subject to the $300 million annual limit); and

(6) Authorizing additional conservation reserve contracts during the 3 years, 1961–63, to bring the total acreage in the reserve to 60 million acres.

[S. 3336, 86th Cong., 2d sess.]

A BILL To help restore the balance between the production of and the market demand for wheat, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress hereby finds the present agricultural program to be inadequate to meet the present problems of wheatgrowers. Surpluses are continuing to mount despite the subsidized disposal of huge quantities of wheat abroad and the application over the past several years of the strictest production controls permitted by law; at the same time, markets for wheat are diminishing; domestic food use of wheat per capita has declined to the lowest level in recorded history; the market for wheat as livestock feed has been greatly reduced as the price differentials between wheat and other feed grains have widened. There is an urgent need to achieve a balance between the production of wheat and our ability to move wheat into domestic consumption and export. The alternatives are to reduce drastically the acreage of wheat, which would have serious consequences for traditional wheat areas, or to provide greater opportunity for market prices to guide the production and consumption of wheat. In order to solve the existing surplus without further impairing the right of traditional wheat areas to grow wheat, it is hereby declared to be the policy of Congress and the purpose of this Act to encourage the expansion of markets for wheat, reduce unrealistic production incentives, minimize the economic hardship of wheatgrowers, and avoid shifting the burden of making the necessary adjustments to the producers of other commodities.

SEC. 2. The Agricultural Adjustment Act of 1938, as amended, is hereby further amended by adding at the end of part III thereof the following new section:

"SEC. 399. Notwithstanding any other provision of law, acreage allotments and marketing quotas shall not be established for the 1961 and subsequent crops of wheat."

SEC. 3. Title I of the Agricultural Act of 1949, as amended, is hereby further amended by adding at the end thereof the following new section:

"SEC. 106. Notwithstanding any other provision of law, the level of price support for the 1961 and subsequent crops of wheat shall be based on the support level for corn for the same crop year, with reasonable adjustments, as determined by the Secretary of Agriculture for differences in weight, nutritive value, and

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buyer preference, with the objective of restoring the pricing of wheat to market conditions as rapidly as possible: *Provided*, That the level of price support for wheat of the 1961 crop shall not be less than 120 per centum of the level of price support for corn of the 1961 crop."

SEC. 4. Section 407 of title IV of the Agricultural Act of 1949, as amended, is hereby further amended by adding the following at the end thereof: "Notwithstanding the foregoing, the Secretary of Agriculture shall institute adequate measures to protect producers of wheat and feed grains from competitive sales of wheat owned or acquired by Commodity Credit Corporation, which measures shall include the following: (1) Effective July 1, 1961, and continuing in subsequent years or until Commodity Credit Corporation stocks have reached 'normal' as defined by law, the Corporation shall not make any net sales of wheat from stocks for domestic use at less than 150 per centum of the then current support price for wheat, plus reasonable carrying charges; (2) annual sales of wheat from Commodity Credit Corporation stocks under the provisions of Public Law 480, Eighty-third Congress, as amended, or similar export programs in the 1961 and subsequent marketing years shall not exceed the average level of such sales in the marketing years 1957, 1958, and 1959; (3) Commodity Credit Corporation stocks may be used for donations to friendly nations and to friendly people who are found by the President upon recommendation of the Secretary of Agriculture to be in urgent need of such wheat and unable to pay a substantial portion of its value."

SEC. 5. Section 108 of the Soil Bank Act is hereby amended by adding a new paragraph (d) as follows:

"(d) In addition to the acreage that might be placed in the conservation reserve pursuant to the above provisions, the Secretary is hereby authorized to enter into additional contracts with producers under subtitle B of the Soil Bank Act so that in the three-year period 1961–1963 the amount of land in the conservation reserve would be sixty million acres by the end of the year 1963, with the greatest emphasis on getting additional acreages contracted under the first year of this additional authorization."

[COMMITTEE PRINT]

FEBRUARY 18, 1960

SHORT EXPLANATION OF COMMITTEE PRINT

For the 1961, 1962, and 1963 wheat crops, title I of the bill would—

(1) provide price support at $1.80 per bushel and reduce each farm acreage allotment by 20 percent;

(2) condition price support on (*a*) reducing the farm acreage of all crops below the 1958–59 average by an acreage equal to the 20 percent reduction in the wheat acreage allotment, and (*b*) diverting such acreage to soil conserving uses, such diverted acreage to be neither harvested nor grazed and to be cropland, of average productive quality, devoted to price supported crops in two of the years 1955–59; and

(3) provide practice payments at rates comparable to the ACP payments to assist in establishing conserving uses on such land for the first year of diversion and an annual payment-in-kind equal to one-third of the average annual wheat yield per acre diverted.

Title II provides an alternative method of control, to become effective whenever the Secretary of Agriculture determines that title I does not provide effective control, and to continue thereafter through the 1963 crop. Under title II the support price would be $1.80 per bushel, and bushel quotas would be effective. The national marketing quota would be 800 million bushels to be apportioned and enforced along the lines provided by Senator Young's bill, S. 1414. The 15-acre exemption would be inapplicable and the 200-bushel exemption would be limited to farms which planted 1958, 1959, or 1960 crop wheat and whose producers do not share in wheat produced on other farms. The present 30-acres feed wheat exemption would be limited to an acreage normally producing not more than 1,000 bushels. A quantity of Commodity Credit Corporation wheat equal to that by which domestic consumption and exports were estimated to exceed 800 million bushels could be sold at 105 percent of the current support

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rate without carrying charges. Title I of the bill and the present wheat marketing quota provisions of the law would largely be suspended during the period in which title II is effective.

[S. —, 86th Cong., 2d sess.]

A BILL To strengthen the wheat marketing quota and price support program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Wheat Act of 1960".

TITLE I—PRICE SUPPORT AND ALLOTMENTS

SEC. 101. Title I of the Agricultural Act of 1949, as amended, is amended by adding the following new section:

"SEC. 106. (a) Notwithstanding the provisions of section 101 of this Act, for each of the 1961, 1962, and 1963 crops of wheat price support shall be made available as provided in this section. The support price for each such crop shall be $1.80 per bushel. Price support under the foregoing provision of this section shall be made available only to cooperators, only in the commercial wheat-producing area, and only if producers have not disapproved marketing quotas for the crop. In case marketing quotas are disapproved, price support to cooperators shall be as provided in section 101(d)(3).

"(b) Wheat of any such crop shall be eligible for price support only if—

"(1) the farm on which the wheat is produced is in compliance with the farm wheat acreage allotment for such crop;

"(2) the total acreage on the farm devoted to the production of crops which would normally be harvested in the calendar year in which the wheat crop for which the producer applies for price support is normally harvested does not exceed the total average annual acreage on the farm devoted to the production of crops for harvest in 1958 and 1959, less an acreage equal to 20 per centum of the farm acreage allotment for the crop of wheat for which application for price support is made which would be in effect for the farm except for the reduction thereof as provided in section 334(c)(2) of the Agricultural Adjustment Act of 1938, as amended; and

(3) the producers on the farm in accordance with regulations prescribed by the Secretary—

(i) designate an acreage on the farm equal to the 20 per centum reduction in the farm acreage allotment required under section 334(c)(2) of the Agricultural Adjustment Act, as amended, for the particular crop of wheat,

(ii) do not produce any crop thereon which is normally harvested in the calendar year in which the particular crop of wheat is normally harvested and do not graze such acreage during such year, and

(iii) devote such acreage to soil-, water-, wildlife-, or forest-conserving uses.

A farm shall be deemed in compliance with the requirements of clauses (1) and (2) if no crop other than wheat is produced on the farm for harvest, and the farm is in compliance with the farm wheat acreage allotment. Only land which has been devoted to the production of price-supported crops for harvest in not less than two of the five years, 1955 through 1959, and which is not less productive than the average of the acreage devoted to the production of price-supported crops for harvest in such five years, may be designated under clause (3)(i). In accordance with regulations prescribed by the Secretary, the acreage of crops for harvest in 1958 and 1959 and the acreage eligible for designation under clause (i) may be adjusted for abnormal weather conditions, established crop-rotation practices for the farm, diversion under soil-bank programs, and to reflect acreage history preserved under section 377 of the Agricultural Adjustment Act of 1938, as amended, to the extent of any unused allotment not diverted to the production of crops. For the purposes of this section a producer shall not be deemed to have violated any of the foregoing conditions of eligibility unless the producer knowingly violated such condition.

(c) Producers of wheat meeting the foregoing conditions of eligibility for price support shall be entitled to a wheat payment in kind from Commodity Credit Corporation stocks equal in value to one-third of the average annual yield in bushels of wheat per harvested acre on the farm for the three years

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immediately preceding the year for which the designation is made, adjusted for abnormal weather conditions and as determined under regulations prescribed by the Secretary, multiplied by the number of designated acres. Such wheat may be marketed without penalty but shall not be eligible for price support. The payment in kind shall be made by the issuance of a negotiable certificate which Commodity Credit Corporation shall redeem in wheat equal in value to the value of the certificate. The certificate shall have a value equal to the number of bushels determined as aforesaid multiplied by the basic county support rate per bushel for number one wheat of the crop normally harvested in the year for which the acreage is designated and for the country in which the designated acreage is located. The wheat redeemable for such certificate shall be valued at the market price thereof as determined by Commodity Credit Corporation. The Secretary shall provide by regulation for the sharing of a certificate among producers on the farm on a fair and equitable basis. The acreage on the farm which would otherwise be eligible to be placed in the conservation reserve program shall be reduced by an amount equal to the required reduction of 20 per centum under section 334(c)(2) of the Agricultural Adjustment Act of 1938, as amended, for the wheat crop of the corresponding year.

(d) In addition to the payments in kind provided for by subsection (c), the Secretary of Agriculture shall make payments at rates comparable to those under the agricultural conservation program for comparable practices to assist producers in establishing conserving uses on acreage designated under clause (3)(i) of subsection (b). Payments under this subsection in any year shall be made only with respect to the excess of the acreage so designated for such year over the highest acreage so designated for any previous year.

SEC. 102. (a) In lieu of the provisions of item (1) of Public Law 74, Seventy-seventh Congress, as amended, the following provisions shall apply to the 1961, 1962, and 1963 crops of wheat:

"(1) If a national marketing quota for wheat is in effect for any marketing year, farm marketing quotas shall be in effect for the crop of wheat which is normally harvested in the calendar year in which such marketing year begins. The farm marketing quota for any crop of wheat shall be the actual production of the acreage planted to such crop of wheat on the farm less the farm marketing excess. The farm marketing excess shall be an amount equal to double the normal yield of wheat per acre established for the farm multiplied by the number of acres planted to such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with regulations prescribed by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established the farm marketing excess shall be such actual production less the actual production of the farm wheat acreage allotment. Actual production of the farm wheat acreage allotment shall mean the actual average yield per harvested acre of wheat on the farm multiplied by the number of acres constituting the farm acreage allotment. In determining the actual average yield per harvested acre of wheat and the actual production of wheat on the farm any acreage utilized for feed without threshing after the wheat is headed, or available for such utilization at the time the actual production is determined, shall be considered harvested acreage and the production thereof in terms of grain shall be appraised in accordance with regulations prescribed by the Secretary and such production included in the actual production of wheat on the farm. The acreage planted to wheat on a farm shall include all acreage planted to wheat for any purpose and self-seeded (volunteer) wheat, but shall not include any acreage that is disposed of prior to harvest in accordance with regulations prescribed by the Secretary."

(b) Notwithstanding the provisions of item (2) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340(2)), the rate of penalty on wheat of the 1961, 1962, and 1963 crops shall be 65 per centum of the parity price per bushel of wheat as of May 1 of the calendar year in which the crop is harvested.

(c) In lieu of the provisions of item (3) of Public Law 74, Seventy-seventh Congress, as amended, the following provisions shall apply to the 1961 and subsequent crops of wheat:

"(3) The farm marketing excess for wheat shall be regarded as available for marketing, and the penalty and the storage amount or amounts of wheat to be delivered to the Secretary shall be computed upon double the normal production of the excess acreage. If the farm marketing excess so computed is adjusted downward on the basis of actual production, the difference between the

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amount of the penalty or storage computed on the basis of double the normal production and as computed on actual production shall be returned to or allowed the producer or a corresponding adjustment made in the amount to be delivered to the Secretary if the producer elects to make such delivery. The Secretary shall issue regulations under which the farm marketing excess of wheat for the farm shall be stored or delivered to him. Upon failure to store, or deliver to the Secretary, the farm marketing excess within such time as may be determined under regulations prescribed by the Secretary the penalty computed as aforesaid shall be paid by the producer. Any wheat delivered to the Secretary hereunder shall become the property of the United States and shall be disposed of by the Secretary for relief purposes in the United States or foreign countries or in such other manner as he shall determine will divert it from the normal channels of tade and commerce."

(d) Item (7) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340(7)), is amended to read as follows:

"(7) A farm marketing quota on any crop of wheat shall not be applicable to any farm on which the acreage planted to wheat for such crop does not exceed fifteen acres: *Provided, however,* That a farm marketing quota in the 1961, 1962, and 1963 crops of wheat shall be applicable to—

"(i) any farm on which the acreage of wheat exceeds twelve acres;

"(ii) any farm on which any wheat is planted if no wheat was planted on such farm for harvest in the calendar years 1958, 1959, and 1960; and

"(iii) any farm on which any wheat is planted if any of the producers who share in the wheat produced on such farm share in the wheat produced on any other farm."

(e) Item (12) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340 (12)), shall not be applicable with respect to the 1961, 1962, and 1963 crops of wheat.

(f) In lieu of the provisions of section 326(b) of the Agricultural Adjustment Act of 1938, as amended, the following provisions shall apply to the 1961, 1962, and 1963 crops of wheat:

"(b) If a farm is in compliance with its farm acreage allotment for any crop of wheat and the actual production of such crop of wheat on the farm is less than the normal production of the farm wheat acreage allotment, an amount equal to the deficiency may be marketed without penalty from wheat of previous crops stored by the producers on the farm to postpone the payment of marketing quota penalties."

SEC. 3. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(a) Section 334 is amended by inserting "(1)" after "(c)" and adding a new subparagraph (2) following subparagraph (c) (1) to read as follows:

"(2) Notwithstanding any other provision of law, each old or new farm acreage allotment for the 1961, 1962, and 1963 crops of wheat as determined on the basis of a minimum national acreage allotment of fifty-five million acres shall be reduced by 20 per centum. In the event notices of farm acreage allotments for the 1961 crop of wheat have been mailed to farm operators prior to the effective date of this subparagraph (2) new notices showing the required reduction shall be mailed to farm operators as soon as practicable."

(b) Section 334 is further amended by inserting a new paragraph (d) between paragraphs (c) and (e) to read as follows:

"(d) For the purposes of subsections (a), (b), and (c) of this section, any farm—

"(1) to which a wheat marketing quota is applicable;

"(2) on which the acreage planted to wheat exceeds the farm wheat acreage allotment; and

"(3) on which the marketing excess is zero shall be regarded as a farm on which the entire amount of the farm marketing excess has been delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone the payment of the penalty. This subsection shall be applicable in establishing the acreage seeded and diverted and the past acreage of wheat for 1959 and subsequent years in the apportionment of allotments beginning with the 1961 crop of wheat. For the purpose of clause (1) of this subsection, a farm with respect to which an exemption has been granted under section 335(f) for any year shall not be regarded as a farm to which a wheat marketing quota is applicable for such year, even though such exemption should become null and void because of a violation of the conditions of the exemption."

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(c) Subsection (f) of section 335 is amended by striking out the semicolon at the end of item (1) and adding "and shall not apply to other farms with respect to the 1961, 1962, and 1963 crops;".

(d) Section 362 is amended by deleting the second sentence thereof.

(e) Subsections (b) and (c) of section 335 of the Agricultural Adjustment Act of 1938, as amended, are hereby repealed and subsection (d) of said section is repealed effective beginning with the 1961 crop of wheat.

SEC. 104. Section 101(d) of the Agricultural Act of 1949, as amended, is amended by striking out paragraph (5).

TITLE II—ALTERNATIVE MARKETING CONTROL METHOD

SEC. 201. Whenever in any of the calendar years 1960, 1961, and 1962 the Secretary of Agriculture determines that the production control program provided by title I of this Act will not constitute a reasonably effective means of gradually bringing supplies in line with demand and that the program provided by this title will constitute a more effective means of accomplishing that end, the Secretary shall, not later than May 15 of such calendar year, proclaim such fact and, for the crops of wheat harvested in years following such calendar year through 1963—

(1) Public Law 74, Seventy-seventh Congress (7 U.S.C. 1330, 1340), and title I of this Act shall not be applicable; except that section 106(a) of the Agricultural Act of 1949 as added by section 101 of this Act shall be applicable and for the purpose of such section 106(a) a "cooperater" shall be any producer who complies with conditions of eligibility prescribed by the Secretary of Agriculture;

(2) As used in section 378 of the Agricultural Adjustment Act of 1938 in relation to wheat, the terms "allotment", "allotted", "allotments", and "acreage allotments", shall mean "marketing quotas" or "marketing quota"; the terms "planted" and "past acreage" shall mean respectively "produced" and "past production"; and the term "acreage used to establish" shall mean "quantity used to establish"; and

(3) The following provisions shall apply in lieu of sections 332 through 338 of the Agricultural Adjustment Act of 1938, as amended:

"MARKETING QUOTAS

"SEC. 332. Whenever in any calendar year the Secretary determines—

"(1) that the total supply of wheat for the marketing year beginning in such calendar year will exceed the normal supply for such marketing year by more than 20 per centum; or

"(2) that the total supply of wheat for the marketing year ending in such calendar year is not less than the normal supply for the marketing year so ending, and that the average farm price for wheat for three successive months of the marketing year so ending does not exceed 66 per centum of parity,

the Secretary shall, not later than May 15 of such calendar year, proclaim such fact and, during the marketing year beginning July 1 of the next succeeding calendar year and continuing throughout such market year, a national marketing quota shall be in effect with respect to the marketing of wheat. Marketing quotas for any marketing year shall be in effect with respect to wheat harvested in the calendar year in which such marketing year begins notwithstanding that the wheat is marketed prior to the beginning of such marketing year.

"NATIONAL QUOTA

"SEC. 333. The national marketing quota for wheat for any marketing year shall be eight hundred million bushels.

"APPORTIONMENT OF NATIONAL MARKETING QUOTA

"SEC. 334. (a) The national marketing quota for wheat, less a reserve of not to exceed 1 per centum thereof for apportionment as provided in this subsection, shall be apportioned by the Secretary among the several States in such manner that the quota of any State will bear the same ratio to the national quota as a figure determined by multiplying the base acreage of such State by its average yield bears to the corresponding figure for all of the States. For the purpose

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of this subsection, the base acreage of a State shall be the average number of acres planted to wheat in such State for the 1952 and 1953 crops, and the average yield of a State shall be the highest annual average number of bushels of wheat per acre harvested in such State during five consecutive years within the twenty-five-year period immediately preceding the year in which the first such apportionment is made. The reserve set aside herein for apportionment by the Secretary shall be used to make allotments to counties, in addition to the county allotments made under subsection (b) of this section, on the basis of the relative needs of counties for additional allotment because of reclamation and other new areas coming into the production of wheat.

"(b) The State marketing quota for what, less a reserve of not to exceed 2 per centum thereof for apportionment as provided in subsection (c) of this section, shall be apportioned by the Secretary among the counties in the State in such manner that the quota of any county will bear the same ratio to the State quota as a figure determined by multiplying the base acreage of such county by its average yield bears to the corresponding figure for all of the counties in such State. For the purpose of this subsection, the base acreage of a county shall be the average number of acres planted to wheat in such county for the 1952 and 1953 crops, and the average yield of a county shall be the highest annual average number of bushels of wheat per acre harvested in such county during five consecutive years within the twenty-five-year period immediately preceding the year for which the first such apportionment is made.

"(c) The county quota shall be apportioned by the Secretary, through the local committees, among the farms within the county on which wheat has been planted during any one of the three marketing years immediately preceding the marketing year in which the allotment is made and on which wheat was planted for the 1952 or 1953 crop, in such manner that the quota of any farm shall bear the same ratio to the county quota as a figure determined by multiplying the base acreage of such farm by its average yield bears to a corresponding figure for all of the farms in such county entitled to receive a farm marketing quota for wheat. For the purpose of this subsection the base acreage of a farm shall be the average number of acres planted to wheat on such farm for the 1952 and 1953 crops, with adjustments for abnormal weather conditions during such years and for the effects of diversion of acreage under previous soil conservation programs, and the average yield of a farm shall be the average annual yield of such farm for the five years immediately preceding the year for which the apportionment is made, as determined by the county committee on the basis of actual or estimated yields for such years. Not more than 2 per centum of the State quota shall be used for apportionment to farms on which wheat was not planted for the 1952 or 1953 crop, or for making adjust- immediately preceding the marketing year in which the allotment is made or on which wheat was not planted for the 1952 or 1953 crop, or for making adjustments for abnormal weather conditions existing during the 1952 or 1953 crop years. The Secretary may by regulation provide for the distribution of the farm marketing quota among individual producers on the farm on the basis of their respective shares in the wheat crop, or the proceeds thereof.

"(d) If the annual average production of wheat for any State for any period of three successive calendar years is three hundred and seventy-five thousand bushels or less, the Secretary, in order to promote efficient administration of this Act and the Agricultural Act of 1949, may designate such State as outside the commercial wheat-producing area for the marketing year which begins in the second calendar year next after such three-year period. No farm marketing quota with respect to wheat under this title shall be applicable in such marketing year to any farm in any State so designated; and no marketing quota in any other State shall be increased by reason of such designation. Notice of any such designation shall be published in the Federal Register.

"(e) The production on a farm in the commercial wheat-producing area of wheat of the 1958 or any subsequent crop for which no farm wheat acreage allotment or marketing quota was established shall not make the farm eligible for a marketing quota pursuant to the first sentence of subsection (c) of this section nor shall such farm by reason of such production be considered ineligible for an allotment under the third sentence of such subsection. If, for purposes of determining eligibility for future acreage allotments, wheat would have been regarded as having been planted on any farm on which it was not planted, or as not having been planted on any farm on which it was planted—

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"(1) in any acreage allotment year under section 334(c), (f), or (g), or section 377, as those provisions were effective in the last acreage allotment year, or

"(2) in any year under section 106(a) or 112(2) of the Soil Bank Act,

wheat shall similarly be regarded as having been planted, or as not having been planted, on such farm for the purposes of the first and third sentences of subsection (c) of this section. For the purposes of this section, an "acreage allotment year" shall be any year up to and including the year in which a proclamation is made under that portion of section 201 of the Wheat Act of 1960 which precedes paragraph (1) thereof.

"PENALTIES—STORAGE

"SEC. 335. (a) During any marketing year for which quotas are in effect, the producer shall be subject to a penalty on the excess of wheat harvested on the farm in the calendar year in which such marketing year begins over the farm marketing quota. The rate of the penalty on wheat shall be 65 per centum of the parity price per bushel of wheat as of May 1 of such calendar year.

"(b) The Secretary shall issue regulations under which such excess may be stored or delivered to him. Upon failure to store or deliver such excess to the Secretary within such time as may be determined under regulations prescribed by the Secretary, the penalty computed as aforesaid shall be paid by the producer. Any wheat delivered to the Secretary hereunder shall become the property of the United States and shall be disposed of by the Secretary for relief purposes in the United States or in foreign countries or in such other manner as he shall determine will divert it from the normal channels of trade and commerce.

"(c) Until the producers on any farm store, deliver to the Secretary, or pay the penalty on such excess, (1) the entire crop produced on the farm shall be subject to a lien in favor of the United States for the amount of the penalty, and (2) each bushel produced on the farm which is sold by the producer to any person within the United States shall be subject to the penalty specified in subsection (a). Such penalty shall be paid by the buyer, who may deduct an amount equivalent to the penalty from the price paid to the producer.

"(d) The penalty upon wheat stored shall be paid by the producer at the time and to the extent of any depletion in the amount of the commodity so stored, except depletion resulting from some cause beyond the control of the producer.

"(e) Whenever the then current crop of wheat harvested on any farm is less than the farm marketing quota applicable to such crop, the total amount of wheat from any previous crops required to be stored in order to postpone or avoid payment of penalty shall be reduced by the amount by which the farm marketing quota exceeds the quantity harvested.

"(f) Whenever, in any marketing year, marketing quotas are not in effect with respect to the crop of wheat produced in the calendar year in which such marketing year begins, all marketing quotas applicable to previous crops of wheat shall be terminated.

"(g) Wheat carried over by the producer thereof from one marketing year to another may be marketed without payment of the penalty imposed by this section if such wheat could have been marketed in the preceding marketing year without payment of penalty.

"(h) No marketing penalty with respect to wheat shall be applicable in any marketing year to any farm on which the normal production of the acreage planted to wheat of the current crop is less than two hundred bushels; but this exemption shall not be applicable if either (1) no wheat was planted on the farm for harvest in 1958, 1959, or 1960, or (2) any producer who shares in the wheat produced on the farm shares in the wheat produced on any other farm.

"(i) The Secretary, upon application made pursuant to regulations prescribed by him, shall exempt producers from any obligation under this Act to pay the penalty on, deliver to the Secretary, or store the farm marketing excess with respect to any farm for any crop of wheat harvested in any year beginning after the making of the proclamation provided for by that part of section 201 of the Wheat Act of 1960 which precedes paragraph (1) thereof on the following conditions—

"(1) That the normal production of the acreage planted to wheat on the farm does not exceed 1,000 bushels: *Provided*, That this condition shall not

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apply to farms operated by and as a part of State or county institutions or religious or eleemosynary institutions;

"(2) That none of such crop of wheat is removed from such farm except to be processed for use as human food or livestock feed on such farm and none of such crop is sold or exchanged for goods or services;

"(3) That such entire crop of wheat is used on such farms for seed, human food, or feed for livestock, including poultry, owned by any such producer, or a subsequent owner or operator of the farm; and

"(4) That such producers and their successors comply with all regulations prescribed by the Secretary for the purpose of determining compliance with the foregoing conditions.

Failure to comply with any of the foregoing conditions shall cause the exemption to become immediately null and void unless such failure is due to circumstances beyond the control of such producers as determined by the Secretary. In the event an exemption becomes null and void the provisions of this Act shall become applicable to the same extent as if such exemption had not been granted. Production in excess of the marketing quota for a crop covered by an exemption hereunder shall not be included in total supply and normal supply in the determination of future marketing quotas and level of price support. No producer exempted under this section shall be eligible to vote in the referendum under section 336 with respect to the next subsequent crop of wheat.

"REFERENDUM

"SEC. 336. Between the date of the issuance of any proclamation of any national marketing quota for wheat and July 25, the Secretary shall conduct a referendum, by secret ballot, of farmers who will be subject to the quota specified therein, to determine whether such farmers favor or oppose such quota. If more than one-third of the farmers voting in the referendum oppose such quota, the Secretary shall, prior to the effective date of such quota, by proclamation suspend the operation of the national marketing quotas with respect to wheat.

"ADJUSTMENT AND SUSPENSION OF QUOTAS

"SEC. 337. (a) If the total supply as proclaimed by the Secretary within forty-five days after the beginning of the marketing year is less than that specified in the proclamation by the Secretary under section 332, then the national marketing quota specified in the proclamation under such section shall be increased accordingly.

"(b) Whenever it shall appear from either the July or the August production estimates, officially published by the Agricultural Estimates Division of the Agricultural Marketing Service of the Department, that the total supply of wheat as the beginning of the marketing year was less than a normal year's domestic consumption and exports plus 30 per centum thereof, the Secretary shall proclaim such fact prior to July 20, or August 20, as the case may be, if farm marketing quotas have been announced with respect to the crop grown in such calendar year. Thereupon such quotas shall become ineffective.

"TRANSFER OF QUOTAS

"SEC. 338. Farm marketing quotas for wheat shall not be transferable, but, in accordance with regulations prescribed by the Secretary for such purpose, any farm marketing quota in excess of the supply of wheat for such farm for any marketing year may be allocated to other farms."

SEC. 202. During the marketing year for any crop of wheat to which section 201(3) is applicable the Commodity Credit Corporation may, notwithstanding the provision of section 407 of the Agricultural Act of 1949, sell for unrestricted use at 5 per centum above the current support price, without carrying charges, a quantity of wheat equal to the quantity by which the Secretary of Agriculture estimates that the domestic consumption and exports of wheat during such marketing year will exceed eight hundred million bushels.

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Senator YOUNG of North Dakota. Mr. Chairman, would you yield for a moment?

The CHAIRMAN. Surely.

Senator YOUNG of North Dakota. It looks like we are facing about the same kind of situation as we did last year.

The CHAIRMAN. I think a little worse, Senator.

Senator YOUNG of North Dakota. Yes; it could well be. Out of it though the Senate passed a wheat bill and the conferees agreed on a bill providing for 80 percent support, a 20-percent cut in acreage, along with a one-third payment in kind and a small reduction in the 15-acreage provision. That was approved by the Senate and defeated in the House by a vote of 215 to 202. We did all this with the opposition, I think, of every single farm organization and the Department of Agriculture, but had that bill been passed by the House, and I believe it would be signed by the President, we would have been on our way toward reducing surpluses. If we had a 20-percent reduction in acreage last year, in last year's crop, we would actually have been taking some wheat out of surplus now. If we had a 20-percent reduction in acreage this year, with the big crop coming up, there would have been little added to the surplus. I was in hopes that we could come up with some long-range approach and a better approach than 80 percent price support and 20 percent cut approach, but it appears that might be about the only approach that we could work out this year. Again this year, if we pass such a bill, it will have to be over the objection of almost all of the organizations and the Department of Agriculture.

The CHAIRMAN. I don't see how we could get a long-term bill through Congress unless we get the farmers, and particularly these organizations, together on some generally acceptable bill. But it seems that the bills I have just put into the record are as far apart as the poles. The so-called Carlson bill, as I understand, is backed by wheatgrowers, the Grange, and the Farmers Union. Probably some other wheat organizations that I don't know about are also for it. But, as I understand, the Department is violently opposed to it, the Farm Bureau is opposed to it, and I don't know what will come of it. As you may recall, sometime in January we made every effort to start holding hearings on a bill so as to report it out to the Senate, in the hope that, even though it was a stopgap, we would prevent the further accumulation of surpluses. Well, the Grange suggested that it desired a little more time for study and, because of that suggestion, we didn't get any further, and then came the civil rights bill, which prevented us from holding hearings until now.

In any event, we will have 2 days of hearings now, and it strikes me that we ought to be able to get to the bottom of this and get enough suggestions, with what we already have, so that this committee will be able to get together and draft a bill. But if we don't, as I said, the surplus situation in wheat will be further aggravated; and that, in turn, in my humble judgement, is going to affect other farm programs, and none of us wants to see that happen.

Now, we have this morning the author of one of these bills, Senator Carlson. We would be pleased to hear from you, Senator.

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STATEMENT OF HON. FRANK CARLSON, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator CARLSON. Mr. Chairman, I appreciate very much the courtesy of the chairman in permitting me to appear before the committee in the interest of legislation that is necessary if the American farmer is to receive his fair share of the national income.

I am not insensitive to the problems confronting this committee. One of the real problems confronting this committee, as I see it, is the difficulty of reaching a common agreement on desirable revisions in farm price-support legislation.

If those interested in the future welfare of agriculture could more nearly agree on the relevant economic facts, we could rather quickly agree on desirable changes in farm price-support legislation. All of us would prefer more, rather than less, individual freedom in our farming operations. All of us would prefer to do away with price-support programs and production controls if farm prices and farm income would not fall to disastrously low levels.

Mr. Chairman, while I have deep personal interest in agriculture as a whole, I appear here today in the interest of the wheatgrowers of this Nation and particularly the wheatgrowers of Kansas. Wheat is our basic crop in Kansas, and we produce normally about one-fourth of the winter wheat in the Nation.

As wheatgrowers, we are much concerned about the continuous reminder to the public of the cost to the taxpayers for the storage of wheat and cost of the program. Wheat is the political football—the whipping boy for those who do not know the farm problems.

Now, do not misunderstand me; the wheatgrowers themselves know we have a problem, but it is a part of the entire farm problem. Most uninformed people believe wheat is the one crop that has cost our taxpayers the most money and resulted in the greatest losses since Congress approved farm legislation in 1933.

Mr. Chairman, I quote here and copy in a table from the Commodity Credit publication entitled "Analysis of Program Results From October 17, 1933, Through January 31, 1960." I am not going to take the time of the committee to quote all of it. You will find that milk and butterfat have had the greatest losses, $1,858,909,164; corn and cornmeal is second, $1,145,806,807; cotton and cottonseed, $889,815,209; wheat and wheat flour, $879,184,552.

Now, these figures in this table deal simply with price-support programs and do not include such items as the special milk program for children, or commodity export programs which are in a different category.

The CHAIRMAN. Senator, does the wheat amount you speak of, some 800-odd million, does that include the losses sustained on export-import?

Senator CARLSON. No, sir; it does not, and I say so. I am just coming to that.

The CHAIRMAN. It is only price support?

Senator CARLSON. That is right.

It is my contention that agriculture should not be charged with such programs as school lunch programs and export of farm commodities through Public Law 480. These are, in reality, aid pro-

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grams, both domestic and foreign, and should be charged to those agencies.

Senator MUNDT. May I say Senator Young and I brought up the very same point just 24 hours ago before the Agriculture Subcommittee on Appropriations and they have made one little step in that direction in the agricultural budget of meeting this problem and trying to charge to agriculture only those expenses which are legitimately agriculture and pointing out, not only in this category, but when you have a shool lunch program for the benefit of the American children, which is fine and which we all supported and which this committee has worked on very constructively, this should be charged against health, education, and welfare, and other charges against mutual security, so we get an altogether distorted picture of the cost of the American farm program as they appear in the press because this big umbrella covers everything that deals with the farm product and gives the people the idea that this goes to the farmer. It doesn't go to the farmer; it doesn't go to the storage people; it goes to the general overall picture of our American posture internationally and the care of people at home and I am glad that Senator Carlson has emphasized that. Insofar as it applies to wheat, it applies generally to the whole agriculture budget. It ought to be retailored and built on the basis so that when it is presented we can understand it, that so many hundreds of millions of dollars or billions of dollars represent the agriculture program. I think it is very unfair that our farmers as a group get hit over the head by saying, "Look what you cost the American taxpayers," and many of these costs are costs involving our mutual security program, our collective security program, our school aid program, and they even put in expenditures which, when you analyze them alone, which are reimbursable, with interest, so I think we need very basically and fundamentally a new approach to the agriculture budget.

The CHAIRMAN. Well, then, there is this point, also: As you all know, within the last 5 or 6 years the farmer's share in the housewife's market basket used to be 51 cents. It is now 38 cents. Taking a loaf of bread that sells, say, for 19 cents, the farmer gets an enormous price of 2.7 cents out of that. Freight, labor, and everything else—the marketing gets the difference, so that it can be readily seen that the farmer does not get what some of these periodicals say about them.

Senator SCHOEPPEL. In addition to what Senator Mundt has said, the records of this committee show that for the last 2 years we have repeatedly requested a breakdown of the segregated costs of this whole program. We have asked for breakdowns showing how much of it is used in the foreign aid program, how much is used strictly for defense and other related things. We have never had a clear picture presented, even though this committee has suggested time after time that we should have that kind of a review and breakdown. The net result of this failure to clarify matters has resulted in the general public receiving a distorted picture. In the press and over the television and radio, the farmers have been hammered down as to the terrific cost of this program, and especially wheat.

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The CHAIRMAN. The Senator knows very well that as chairman of this committee, I made every effort to obtain the true picture, but invariably the Secretary comes here with overall figures and he doesn't point out what the actual losses were in regard to this support price program.

Now it is true we can get those figures from him, but in some way they are mixed in with others. The last figure that I discussed with the Secretary was that the farm price support program losses cost the taxpayers $20 billion. But boiled down the support price program has cost only about 6 billion since 1933 and not 20. But we won't get into that. Let's try to get a wheat bill out because we can sit here all day and discuss that matter. What we ought to do is get down to business and try to get a good wheat bill out of here, if possible.

Proceed, Senator.

Senator CARLSON. I just want to make this one comment on the discussion, which I think is quite helpful, but last year we exported 450 million bushels of wheat. Over 50 percent of our export is under title 1 of Public Law 480, and agriculture and farmers are charged with that export, which is, after all, a part of the foreign-aid program.

I was discussing this table and I am going to quit this in just a moment. On this matter I would like to say that the cost reported in the table covers a long period of time, namely, over 26 years. There is a loss of $879 million on wheat price supports. It sounds large, and it is, but over a period of 26 years, it is less than an average of $34 million per year. And I mentioned the loss on dairy supports, which is part of the record here.

Mr. Chairman, I want to give you some facts regarding wheat production in Kansas. Our present wheat acreage under the allotment program is about 10½ million acres. Previous to the acreage allotments programs we were planting in excess of 15 million acres of wheat. Last year, 1959, we harvested 10,485,000 acres of wheat, with an average yield of 20 bushels per acre or a total of 209,700,000 bushels.

The U.S. Department of Agriculture preliminary estimates for the 1960 crop is about the same production as for 1959.

Kansas wheatgrowers can easily produce over 300 million bushels of wheat per year without acreage allotments or other restrictions.

Senator MUNDT. Why do you jump from using the planting figure in one sentence and harvesting figure in another?

Senator CARLSON. For the reason we quite often plant substantially more acreage of wheat than we harvest.

In 1951, as a matter of fact, we planted over 17 million acres of wheat and I believe we harvested in 1952, 14,649,000 acres. Some of it was planted for pasturage; some of it was winter killed, and for further reasons.

Senator MUNDT. Do you have the 1959 planting figure, which would make it comparable to the other planting figure?

Senator CARLSON. No, I do not have the planting figure for 1959, but I do have the figure that was harvested. I have here a table showing for 70 years the annual production of wheat, the acreage planted, the price and yield per bushel or per acre. I call this to your attention, Mr. Chairman, because in 1952 we harvested

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14,649,000 acres of wheat, with an average yield of 21 bushels for a total production of 307,269,000 bushels. We would like to grow this quantity of wheat, but we also realize we have a present surplus problem and it should not be aggrevated.

Your committee has before it several proposals for dealing with the problem of wheat. I would not have you believe that I am familiar with every detail of every proposal, but I am familiar with their details generally and their objectives.

There is a bill, as you have mentioned, Mr. Chairman, which authorizes a wheat stabilization program. The sponsors of this bill, including myself, you have read into the record, and I also have it as part of my statement.

This bill, in my opinion, would reverse the current buildup in surplus stocks, reduce Government costs, and do it in a manner which is fair both to the producers and consumers.

This program has been developed in conference with the National Grange, the National Farmers Union, and the National Association of Wheat Growers, and in addition is supported by the National Farmers Organization, Missouri Farmers Association, National Corn Growers Association, and the Grain Sorghum Producers.

Details of the program will be presented to this committee by the president of the National Association of Wheat Growers and representatives of other farm organizations who have prepared it and studied its every detail.

This committee, I am sure, will give this bill, as well as other proposals, its usual thorough consideration of legislation affecting agriculture.

As Senate bill 3159 approaches the solution of our present wheat problem from a new angle, I urge that the committee give it every consideration.

With your permission, Mr. Chairman, I would like to have placed in the record today an editorial from the Lincoln Evening Journal, Lincoln, Nebr., entitled "A Way Out of the Wheat Problem", and I would also like to have made part of the record an editorial from the Kansas City Star, March 20, entitled "Let's Look Before We Leap in Next Farm Program," and also a letter from the Haskell County Farm Bureau Association, Sublette, Kans., in which they, together with many other farm bureau letters that I have received, have expressed their views on pending wheat legislation.

The CHAIRMAN. Without objection, those will be put in the record.

(The documents are as follows:)

[From the Kansas City Star, Mar. 20, 1960]

LET'S LOOK BEFORE WE LEAP IN NEXT FARM PROGRAM

Many farmers are convinced that some kind of production control is necessary if producers are not to suffer indefinitely from the effects of surpluses on the markets. An important segment of this group has come to the conclusion that a greatly expanded land retirement program—a soil bank—is the only answer.

These farmers consider themselves ensnared in their own efficiency. Farm prices go down and down because of bounteous production. On the other hand, the cost of the things farmers buy continues to rise.

Some farmers, and probably many persons not associated with agriculture, have long since concluded that farm programs are a failure and that the best solution of all farm ills would be to let nature take its course. This would mean the survival of the fittest on a free market.

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Anyone acquainted with farmers must be aware that this is far from the majority opinion in rural areas. There is wide division of opinion on how to face the problem, yet a much greater appreciation of the practical requirements. The old gimmicks have failed. Farmers and the public alike are tired of paying for controls that result in low prices with new record production.

The soil bank appeals to the farmer who does not want government regimentation. It is one way of reducing production while permitting the farm operator to use his best judgment in managing his business. It sounds good. But before the idea receives 100-percent endorsement it should be analyzed thoroughly.

Just what are farmers talking about when they speak on an expanded soil bank? Such a program could, for example, take 60 million acres out of production for years. This figure might have to go up or down. The country has a total land area of approximately 1,904 million acres. About 450 million acres are plowland and 965 million acres are in pasture and hay. The 60 million acres to be retired would some principally from plowland. It is safe to assume that the lower producing land would be taken out of production first.

Currently 28 million acres are in retirement in the conservation reserve part of the soil bank, all that remains of the program attempted a few years ago. Obviously, this has not been enough either to reduce surpluses or raise farm prices. The last 2 years have seen record production.

The soil bank idea has undergone exhaustive study the last year or two. At the recent National Farm Institute in Des Moines, four major speakers, including Claude R. Wickard, former Secretary of Agriculture, proposed greatly expanded land retirement programs. President Eisenhower used the 60-million-acre figure in his recent farm message. Governor Rockefeller of New York also has endorsed the theory. However, powerful agricultural figures in Congress are opposed.

One point of major apprehension is in the question of where the land would be idled. It is obvious that if all the farms in a single county were put in the soil bank the communities in that county would suffer.

J. Carroll Bottum, assistant head of the department of agriculture economics, Purdue University, discussed this question at the Des Moines meeting. He explored three methods by which land could be retired.

The first would set a uniform percentage of plowland to be idled on each farm across the country. It was his judgement that this would result in the retirement in most cases of the lowest producing land and in the long run would be the most costly. For instance, a farmer who puts only a part of his farm in retirement cannot reduce his expenses per acre as much as a farmer who puts his entire farm into the program. His investment in machinery would remain the same. Therefore, it is logical to assume that under a voluntary program the Government would have to pay more "rent" to retire parts of a farm than to retire the whole farm.

However, idling only parts of farms would have a political advantage. It would distribute money across the country. The social and economic impact to communities would be at a minimum.

The second approach mentioned by Bottum would allocate funds to each State in the same proportion that its agricultural production bears to the national total. Each State would then be permitted to retire land on a part- or whole-farm basis. Presumably each State would retire its lowest producing land. This probably would include whole farms. Such an approach might result in social damage to some counties. But if most of the land put in the soil bank belonged to elderly farmers who continued to live in their homes or to farmers seeking off-farm work, the community might be helped.

The third method suggested and the one Bottum recommended involved removal of low producing land anywhere in the United States, either on a part or a whole-farm basis.

The tendency, he surmised, would be to idle land that would be removed from production under severe competitive conditions. It would be land most likely to stay out of production if the program were discontinued.

For getting the job done—that is, reducing production of the crops which are in greatest surplus—the last method apparently offers the greatest possibilities at the lowest cost. But it has drawbacks, too. Two big problem crops are cotton and wheat. Secretary Benson hopes for wide acceptance of any expanded soil bank in the wheat areas.

Would western Kansas, for instance, welcome retirement of large areas of farmland for a period of years?

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Perhaps the situation demands such drastic action. In fact, it looks as if any Government program big enough to do the job will have to be drastic. Wickard says no program that is effective will be easy.

Bottum estimates that the kind of soil bank program he has described in his third approach would cost perhaps $1¼ billion a year for a period of 5 to 10 years. The figure includes the cost of renting the land and getting it seeded to grass.

This, he submits, would be less than the cost of present programs.

His point here is of real significance. As far as the taxpayer is concerned, it could be just as wise to pay farmers to idle their land as it is to pay for the storage of surpluses. The surplus crops have taken fertility from the soil, while the soil bank land would be rested for greater production when it is needed.

Any program that is undertaken, of course, would have the purpose of bolstering the prosperity of agriculture. Our Nation has the world's greatest food supplies at the lowest prices in relation to other income. Farmers logically insist that this bountiful, low-cost production is invaluable to the national economy. And a bankrupt agriculture would hurt everyone.

A land retirement program has little appeal to farm suppliers. The people who sell fertilizers, machinery, chemicals, and petroleum products want volume; so do the railroads that haul the wheat; in fact, almost everyone doing business with the farmer. Reducing the farm plant tends to reduce business.

Farmers, caught for years in a price sqeeze, can ask whether they should be obliged to produce at a loss in order to give industry its accustomed volume. Here is another question that needs to be resolved. Certainly farmers could suggest that producers operating at a profit are better customers for business in general than those who are not.

Another major question concerns the price goal. If the soil bank program should work so well as to increase prices, what would farmers expect? Or will technology make it necessary to have an ever-enlarging program which would cost the Government more and more?

Some authorities are suggesting that the soil bank should be put into effect quickly so that technological advances leading to production gains could not offset the reductions in production.

The soil bank would let supply and demand function at the market. Supply would be curtailed. If the program worked at all, farm prices would rise. The consumer would pay more at the market rather than in taxes. No program that benefits agriculture can escape the charge that it raises food costs.

However, the farmer now is getting only 38 cents out of the consumer's food dollar. In most instances where food at the store is higher than it was in years past, the farmers is getting less. The middleman is responsible for the higher charges.

The soil bank deserves the most careful consideration. We're no longer amateurs in this farm program business. The next program should be good. But it won't work unless it has the conscientious support of farmers. Taxpayers must understand it and believe they are getting their money's worth.

You often hear that farmers now are so small a part of the total population they no longer can exert a powerful influence on Congress. We don't agree. We believe the public is aware of the farmer's problem, particularly here in the Middle West. We believe the taxpayers will go along with the farmer if a sensible and workable program is presented.

[From the Lincoln Evening Journal and Nebraska State Journal, Feb. 19, 1960]

EDITORIAL OPINION—A WAY OUT OF THE WHEAT PROBLEM

Congress now has a clear choice of programs to bring the troublesome wheat surplus problem under control. With President Eisenhower's promise to give Congress latitude to draft a "constructive" wheat program, the Democratic majority should have no excuse for not taking some action.

On the one hand, Congress now has Secretary of Agriculture Benson's proposal to eliminate wheat production controls and drop wheat support prices sharply. It is impossible to see how this could remotely assist either the farmer or taxpayer.

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By fixing wheat price supports in the next 3 years at 75 percent of the average market price over the previous 3 years, this proposal simply would write into law that incomes of wheat farmers will continue to skid disastrously and surpluses will continue to pile up.

At this point, the most reasonable and practicable approach appears to be the marketing stabilization plan developed by the National Wheat Growers Association, Farmers Union, and Grange with support from several other farm groups. It works this way:

The Secretary of Agriculture would determine each year the amount of wheat needed for domestic food consumption and export. A national wheat allotment would then be fixed at 150 million bushels less than this requirement.

Each wheatgrower would be issued a marketing certificate for his share of the national allotment stating the number of bushels of wheat he could market. But to qualify for a certificate, he would have to place 20 percent of his base wheat acreage in the soil bank, for which he would receive whatever payments are in effect for soil bank land.

The farmer may raise all the wheat he wants. But only the amount stated on his marketing certificate could be sold in the "primary" market for domestic food use or export.

Key to the plan is the production allotment of 150 million bushels less than the expected need. This would force millers, exporters, and other users to draw the 150-million-bushel deficit from present Government-stored surplus.

Price for this would be fixed at 100 percent of parity. Since the supply would be within this total demand, this would tend to set effective market prices at 100 percent of parity, which is the measure of a fair price, without being influenced by Government price supports.

Wheat in excess of a farmer's marketing certificate could be stored for primary marketing in future years, or be used or sold for feed or seed. The plan has several obvious advantages:

Insure wheatgrowers more net income than at present.

Reduce Government stocks of wheat and feed grains, since wheat no longer go into Government storage and total wheat production would be materially reduced by full use of the soil bank.

Put wheat marketing back into the hands of grain dealers rather than the Government.

Sponsors of the plan estimate it will save taxpayers $3.7 billion over the first 5 years, primarily through reduction in Government-stored grains.

Here is a program that has broad backing among farmers, that would get wheat supply in line with demand, and that seems to fall within the guidelines specified as acceptable by the President.

SUBLETTE, KANS., *April 5, 1960.*

Senator FRANK CARLSON,
Washington, D.C.:

The Haskell County Farm Bureau Policy Committee met the evening of April 5, to discuss proposed wheat program legislation. About 25 members were present and were a good cross-section representation of the county's 380 members.

It was the general concensus of opinion of the group that—

1. Any new quotas or allotments should be based on bushels instead of acres.
2. The Wheat Marketing Act sounded highly complicated but probably could be made acceptable with some changes, including making the marketing certificates transferable, or any provision whereby quality wheat would bring a premium to the grower.
3. That old domestic parity plan would be favored perhaps above the Wheat Marketing Act.
4. The bushel allotments to be determined on a fair, and equitable basis such as (present acre allotments, community, county, or State bushel per acre average) and without preference to size of farm or present acreage allotment.
5. The soil bank and conservation reserve be continued and expanded.
6. Legislation is needed to improve our wheat grading system especially on oversea shipments, so that no foreign material can be added. We be-

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lieve that the foreign market is one of the best answers to our wheat surplus, and delivery of the highest quality wheat is the answer to an expanded foreign market.

7. The 15-acre or less wheatgrower should not vote in the wheat referendum, also we would like a real choice of programs in the referendum.

8. The 15-acre exemption should be reduced or abolished to help bring wheat production back to our traditional wheat producing areas.

Sincerely

WESLEY LUCAS,
Farm Bureau Policy Chairman,
Satanta, Kans.

The CHAIRMAN. Does the editorial from the Kansas paper, or any of these editorials, discuss the bill that you introduced?

Senator CARLSON. Yes, sir. The Lincoln Evening Journal, particularly, says it is a way out of the wheat problem. I would like to read it to the chairman, but it is rather lengthy. It is a very good editorial.

The CHAIRMAN. That is all right. We will need quite a lot of information on that bill. I have read it several times and read some of the studies that have been made by our staff here and I still don't quite understand the bill, how it will operate and how it will affect surpluses and be less costly. That is one thing that, of course, we have got to lay bare here before the committee before we take action.

Senator CARLSON. The committee, in its usual manner, I am sure, will go into every detail and inspect them, too.

The CHAIRMAN. Any questions?

If not, Senator Carlson, we are glad to have had you, sir.

All right, has Senator Carroll come in yet?

Senator YOUNG of North Dakota. Mr. Chairman, I may say that of all of the proposals before the committee, I like this approach the best. The one thing that bothers me is what chance would it have of being approved by the President.

The CHAIRMAN. You mean the Carlson bill?

Senator YOUNG of North Dakota. Yes, I studied it in considerable detail and I think it represents with some possible changes a good approach, as it would have many advantages over the present program.

The CHAIRMAN. Now since we have mentioned that bill, I understand that Mr. Carl Bruns, the president of the National Association of Wheat Growers is present. Will you step forward and explain this bill?

STATEMENTS OF CARL BRUNS, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, CHAPPEL, NEBR. (Resumed); AND LeROY K. SMITH, VICE CHAIRMAN, PROGRAMS COMMITTEE, NATIONAL ASSOCIATION OF WHEAT GROWERS, FORT COLLINS, COLO.

Mr. BRUNS. As you know, we appeared before this committee earlier in the year, and Mr. Bayne, the programs chairman——

The CHAIRMAN. Will you identify yourself for the record, please?

Mr. BRUNS. My name is Carl Bruns. I am president of the National Association of Wheat Growers. I live on my farm near Chappell in Deuel County, Nebr.

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I had planned to have Mr. Glen Bayne, the farm programs chairman of the national association with me. He was in town, but his father-in-law passed away and he had to leave yesterday evening. With your permission, I have a wheat farmer with me from eastern Colorado, Mr. LeRoy Smith——

The CHAIRMAN. Mr. Smith, will you come forward, please? Will you identify yourself for the record?

Mr. SMITH. My name is LeRoy K. Smith. I live at Fort Collins, Colo.

The CHAIRMAN. All right, proceed, Mr. Bruns.

Mr. BRUNS. On behalf of the National Association of Wheat Growers, we wish to express our gratitude to you, Mr. Chairman, and to all the members of the committee for your efforts toward finding a solution to the problems of agriculture, and, particularly, we would like to thank you for the opportunity to appear and discuss Senate bill 3159 which we feel is a sound, practical way to get the wheat surplus off the taxpayer's back without destroying farm income. We believe S. 3159 provides the necessary legislative machinery to correct the present wheat dilemma.

We represent the National Association of Wheat Growers, speaking for the traditional wheat producers in 10 States in the Great Plains and the Pacific Northwest. We do not stand alone on this proposal. Our wheat marketing program as embodied in S. 3159 was developed in conference with and is approved by the National Grange, the National Farmers Union, as well as the National Association of Wheat Growers. It is the product of numerous joint conferences and meetings and is within the framework of the adopted resolutions of each of the separate organizations. In addition, the plan is also endorsed by the several commodity groups.

We have also contacted the American Farm Bureau Federation in our spirit of cooperation and while many of their farmer members have hold me personally that our program and approach expresses their feelings and has their approval, those in charge on the national level tell us our program is not in accord with the resolution adopted at the annual convention of that organization held recently in Chicago. Their national officers have advised us, therefore, they will be compelled to oppose this program.

When we were here earlier in the year, we went over and talked to the Farm Bureau and they received us very kindly and explained their program to us and we explained our program to them and they pointed out that they could not deviate from their resolutions, and this is the reason they take this attitude.

Senator MUNDT. Mr. Bruns, it is quite understandable that the national officers of the national organizations, of course, have to go along with the resolutions of a national convention and the Farm Bureau is a national organization that includes cotton farmers and farmers in many other areas not closely connected with the wheat production. I am wondering whether any State Farm Bureau groups, perhaps in wheat areas, might have expressed themselves on your bill and, if so, how.

Mr. BRUNS. As far as I know, there are no particular State groups that have in total endorsed our bill.

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Senator JOHNSTON. Do you know whether or not this bill that you are discussing at the present time was presented to the American Farm Bureau Federation?

Mr. BRUNS. Not as such.

Senator JOHNSTON. So at that time they did not have the proposal to discuss?

Mr. BRUNS. I think this would be true, yes. The details of it were worked out when we came in here in January. As you remember, the Grange was just working on the details, when we were in here in January.

The CHAIRMAN. Mr. Schuman, president of the Farm Bureau, will be here this afternoon and I am sure that he must have studied these bills and we are going to ask him about them.

Senator JOHNSTON. Yes.

The CHAIRMAN. I guess he will be prepared to answer the questions. You may proceed, sir.

Mr. BRUNS. We know, Mr. Chairman, that you and the members of the committee are aware of the current situation in agriculture, so we feel that a review of the varied and many details at this time is unnecessary.

I would like to call particular attention to four specific guidelines which wheat producers feel must be embodied in any program for wheat.

1. Stop the costly ever-increasing accumulation of CCC stocks.
2. Start a program which would orderly and effectively reduce CCC stocks.
3. The plan must not compound the problem by shifting acres from wheat to feed grains and other crops.
4. The decline in the farmers' net income must stop if preservation of the present standard of living for farmers is to be maintained.

The CHAIRMAN. Now, if you don't mind, a few questions——

Mr. BRUNS. All right.

The CHAIRMAN. You have mentioned four points there. How will your bill stop the ever-increasing accumulation of CCC stocks?

Mr. BRUNS. Well, this bill provides that the visual market, the actual amount of wheat that is needed for domestic food and support, would be anticipated in the beginning of the year and this market would be supported by 150 million bushels, which amount would come out of the Commodity Credit Corporation stocks. So there would be no wheat going into Commodity Credit stocks. Actually 150 million bushels would go out, approximately 150 million.

The CHAIRMAN. What would become of all of the wheat on hand when this program starts? In other words, that which the farmers have loans on and there is no doubt that some of the farmers have some on hand. What would become of that wheat? Who would have to take charge of it?

Mr. BRUNS. You are speaking of the free wheat that is in the trade and in the hands of the farmers?

The CHAIRMAN. Right.

Mr. BRUNS. As near as we can tell, this is not a very big amount.

The CHAIRMAN. I don't care what the amount is. What would become of it?

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Mr. BRUNS. This wheat would be taken over by the CCC.

The CHAIRMAN. At what price?

Mr. BRUNS. At a hundred percent of parity.

The CHAIRMAN. A hundred percent of parity?

Mr. BRUNS. Yes. Now, Mr. Chairman, you understand——

The CHAIRMAN. All I want is to bring out the facts. I don't want to argue; I just want the facts, if you don't mind.

Mr. BRUNS. OK.

The CHAIRMAN. The question was how would it reduce surpluses. Now, as I understand, there is no limitation as to the amount of acres that can be planted to wheat.

Mr. BRUNS. That is true, except that a farmer must retire 20 percent of his wheat base acres, 10 percent free and 10 percent for pay, under this provision. That is from the productive capacity.

The CHAIRMAN. The primary wheat, though, is to be taken out of any wheat that is produced on the farm?

Mr. BRUNS. Yes, that is right.

The CHAIRMAN. And then what becomes of the wheat, the secondary wheat?

Mr. BRUNS. The farmer can store it; he can feed it or he can sell it for feed.

The CHAIRMAN. Are there any price supports on the secondary wheat?

Mr. BRUNS. None.

The CHAIRMAN. And that wheat will, as I understand, compete with corn and other feed grains?

Mr. BRUNS. Yes, you could say it that way.

The CHAIRMAN. Well, it is true, isn't it? I mean is it true?

Mr. BRUNS. Well, if it is produced wheat that is, it would, but presently, under your present program, you have these wheat farms producing feed grains on those acres. Now it is unknown as to what the farmer will do, whether he will plant wheat or whether he will plant feed grains over his primary use quotas. This is a guess.

The CHAIRMAN. Now under the bill as you have it before us, I understand it, the Secretary of Agriculture would make an estimate of what will be consumed domestically and what will be exported.

Mr. BRUNS. Yes. That is right.

The CHAIRMAN. And assuming that he estimates that that would be a billion bushels, the first thing you do is take off of that 150 million bushels, which would be taken from——

Mr. BRUNS. Commodity Credit.

The CHAIRMAN. All right. Now at what price, at what support price will this 850 million bushels of free wheat, that is, for export and domestic consumption, at what price will that be supported?

Mr. BRUNS. That would be supported at 75 percent of parity.

The CHAIRMAN. All right. Now at what price will the Commodity Credit Corporation be able to dispose of the 150 million bushels that it will have for sale?

Mr. BRUNS. At full parity.

The CHAIRMAN. Full parity, and the reason for that is?

Mr. BRUNS. The reason for that is to bring the price up for the amount that the farmers sell in the marketplace.

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The CHAIRMAN. All right. Now suppose the Secretary of Agriculture should miss his estimate. Instead of disposing of, say, a billion bushels, he disposes of only 800 million bushels.

Mr. BRUNS. Yes.

The CHAIRMAN. In other words, he overestimates. What happens the following year?

Mr. BRUNS. The bill provides that when the estimate, when it is known that he has missed the estimate, in the case that you outline, that he go into the marketplace and buy at parity the amount that he missed it.

The CHAIRMAN. So that the wheat would be sold, that is, this 200 million bushels that he missed, would be sold at parity?

Mr. BRUNS. Yes, and bought at parity.

The CHAIRMAN. All right. Now in the estimates for export, must the Secretary of Agriculture, under your bill, include whatever is sold under the wheat agreement? You are familiar with the wheat agreement?

Mr. BRUNS. Yes.

The CHAIRMAN. And, also, Public Law 480?

Mr. BRUNS. Yes, total exports.

The CHAIRMAN. So that, as I understand, the Secretary would have to sell or would be compelled to sell any wheat that comes from the Commodity Credit Corporation at a hundred percent of parity?

Mr. BRUNS. Correct.

The CHAIRMAN. And whatever the price is in the marketplace for domestic wheat, the export share of wheat would have to be sold at the same price?

Mr. BRUNS. Correct.

The CHAIRMAN. And that would include Public Law 480?

Mr. BRUNS. Public Law 480.

The CHAIRMAN. And the wheat agreement?

Mr. BRUNS. Yes, cash sales and Public Law 480.

The CHAIRMAN. That being true, how do you figure it will cost the Government less? That is the point that is kind of puzzling me at the moment.

Mr. BRUNS. It will cost the Government less because we don't anticipate any wheat being taken over into the Commodity Credit hands and you would be reducing stocks annually. Now the first year there is a transition period.

The CHAIRMAN. Now wait. You answered me awhile ago that if the Secretary of Agriculture overestimates, he has to make it up some way.

Mr. BRUNS. That is right, but then it is just he made a mistake, so it is just a paper transition, you see.

The CHAIRMAN. Well, under your bill, as I understand it—now remember, I am just asking questions to get how this thing operates. Under your bill, as I understand it, the Secretary could not sell any wheat for export at less than the market price. If that is 100 percent of parity, he would have to sell it for that.

Mr. BRUNS. Yes. The Commodity Credit's 150 million bushel share would be sold at full parity, but the other 300 million bushels, figuring 450 million bushels export, would be taken from the farmers' share and this would approach parity.

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The CHAIRMAN. Now there is nothing in the bill that would force the Secretary to fix the amount of export at any given figure?

Mr. BRUNS. No.

The CHAIRMAN. It would be left entirely to him?

Mr. BRUNS. That is right.

The CHAIRMAN. Suppose he says it is zero, or say he puts it at a third what it ought to be. What will happen then?

Mr. BRUNS. Well, we are assuming that he is going to do this as accurately as he can, and he has a good staff over here in the Department and they have been quite accurate in the past and we assume that this would be administered fairly and then if that assumption is correct, he wouldn't make a very large error.

The CHAIRMAN. But if he makes an error, overestimates——

Mr. BRUNS. Why then he has to correct the error by going into the marketplace and buying back the certificated wheat that he has——

The CHAIRMAN. At a hundred percent of parity?

Mr. BRUNS. Right.

The CHAIRMAN. And if he underestimates, then what happens?

Mr. BRUNS. Then he issues more certificates to the producers.

The CHAIRMAN. Under the same formula?

Mr. BRUNS. Yes, under the same formula.

The CHAIRMAN. As the certificates are first issued?

Mr. BRUNS. That is right.

Senator MUNDT. Would it achieve the objective that you have in No. 1——

The CHAIRMAN. Will you excuse me one minute? It was called to my attention that when the Secretary underestimates he adds to his estimate for the next year the amount equal to such excess.

Mr. BRUNS. Yes; that is right. Thank you for that correction.

The CHAIRMAN. All right, you want to correct it to that extent.

Mr. BRUNS. Yes.

The CHAIRMAN. Now what will that mean?

Mr. BRUNS. This means that the farmers would get more certificates the following year to cover the amount underestimated.

The CHAIRMAN. The Secretary would be bound to do that and wouldn't that in a measure increase the amount of wheat?

Mr. BRUNS. Taken out of CCC.

The CHAIRMAN. Well, CCC, but he would have to sell the CCC wheat at a hundred percent of parity.

Mr. BRUNS. That is right.

The CHAIRMAN. What I am trying to get into my mind is how do you figure that this bill of yours is going to decrease the cost to the Government. That is what I can't understand, particularly in view of the fact that you have unlimited plantings, as I understand it, and the ceritficates will be issued to the farmers for both domestic and foreign consumption.

Mr. BRUNS. That is right.

The CHAIRMAN. On a basis as now prevails in the law?

Mr. BRUNS. I think it has been stated and I assume that it is correct that the storage costs on wheat is something like a thousand dollars a minute and if you can reduce the amount in storage that CCC has in hand annually, you are going to reduce the cost considerably.

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It is the reduction in storage and carrying of CCC stocks where the savings is in this program.

The CHAIRMAN. I know, but how can you expect to dispose of that when you force the CCC to sell it at a hundred percent of parity? That is the problem that I have.

Mr. BRUNS. I don't see the problem here since export subsidies will be required as they presently are.

The CHAIRMAN. I know, but it is true you have export subsidies now, but you are going to make them higher.

Mr. BRUNS. That is true.

The CHAIRMAN. It is going to make the program, as I see it, cost more and more, in my humble judgement.

Mr. BRUNS. I think Mr. Bayne's cost analysis that we have here is quite accurate. He studied it over and over again.

The CHAIRMAN. I read that over. He makes assumptions that may not come true. I can take any program, and assume things. If what I assume comes true, everything will be all right, but if it doesn't——

Senator YOUNG of North Dakota. Mr. Chairman, there is one important factor you have not taken into consideration. All of the wheat held now by the CCC——

The CHAIRMAN. I didn't hear that.

Senator YOUNG of North Dakota. All of the wheat held by the Commodity Credit Corporation, about a billion, three hundred bushels, or somewhere near that, would be sold at full parity. The Government would realize 100 percent of parity, rather than the present price.

The CHAIRMAN. How could you sell wheat on a hundred percent of parity on the world market? That couldn't happed at $2.37 when they could get it from Australia, get it from Canada at much less than that. In other words, if we could sell it at parity, all right.

Senator YOUNG of North Dakota. Anything that would be sold in the domestic market, I mean.

Mr. BRUNS. Mr. Chairman, I think Mr. Smith understands your question. Maybe he can explain it.

The CHAIRMAN. I hope somebody answers it because I am asking the questions in the light of the way I understand the operation of this bill.

Senator SYMINGTON. Mr. Chairman, before we proceed further, I would like to ask a few questions——

The CHAIRMAN. Will you wait just one-half a minute? I want to say this, that we are honored today by officials from Liberia and several members of their Parliament. They are sitting in the back of the room here and they are here as guests, as I understand it, of the ICA. As chairman of the committee, I wish to welcome you here, and I am glad that you are here to listen in.

Will the members of the Parliament identify themselves? Is there anybody there who can identify them?

Off the record.

(Discussion off the record.)

The CHAIRMAN. We will have the names of the delegation placed in the record at this point.

(The list is as follows:)

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MEMBER OF PARLIAMENT

Mr. El Mehdi Mohammed Buzu.

OTHER MEMBERS OF DELEGATION

Mr. Afeda Mabrouk Afeda, member of the Legislative Council, Provincial Government of Cyrenaica.
Mr. Mohammed Mustafa Arab, member of the Legislative Council for Tripolitania.
Mr. Abdulmuttaleb El Mehdi Arfas, member of the Legislative Council, Sebha, Fezzan.
Mr. Musa Muftah Ammar, Director of Personnel and Acting Director of Agriculture, Province of Fezzan, Sebha, Fezzan, Libya.
Mr. Aly Mohamed el Backoush, Assistant Director of Agriculture, Nazaret of Agriculture, Provincial Government of Cyrenaica.
Mr. Abdulmajid Abu Baker Ben Saad, plant protection officer, Nazaret of Agriculture, Tripoli, Libya.
Mr. Saad Abou Bakr El-Dorsi, Chief, Agricultural Statistics Division, Nazaret of Agriculture and Forests, Chief of the Preexamination Department.
Mr. Tawfik El Gerby, Representative for Derna Cooperative, the Cooperative Controller, Nazaret of Finance, Cyrenaica, Libya.
Mr. Ahmed Mohamed Ghoneim, Controller of Cooperatives, Nazir of Finance, Nazaret of Finance, Cyrenaica.
Mr. Makhzoum Ali Hamuda, works own farm.
Mr. Abdalla Massaud Idrisi, member of the Legislative Council for Tripolitania; member Libyan Red Crescent.
Mr. Mohammed Sughaiyer Jallalah, Deputy Director of Agriculture in Province of Fezzan, Nazaret of Agriculture, Sebha, Libya.
Mr. Hamed Mobarek Jawhary, Assistant Director of Agriculture, Ministry of National Economy.
Mr. Abdulrahim Mousa Khalaf, Agricultural Extension Training Officer, Libyan American Joint Services, Benghazi.
Mr. Juma Nasr Miludi, Controller of Cooperative Societies, Nazaret of Finance, Province of Fezzan.
Mr. Ibrahim Ahmed Essuni Muntasir, Controller of Primary Education, Nazaret of Education, Tripoli.
Mr. Mohammed Abuzeid Sherif, Controller of Cooperative Societies, Nazaret of Finance, Department of Economy, Administration of Tripolitania, Tripoli.
Mr. Muftah Ali Sherif, Secretary of General Affairs, Ministry of National Economy, Benghazi, Cyrenaica.
Mr. Abdalla Ben Ittaher Tawareg, businessman (farming).
Mr. Mohamed Younes Muftah-Asciad, self-employed, landowner and export business; member, Municipal Council, Adjedabia, Cyrenaica.

The CHAIRMAN. All right, Senator Symington. I am sorry I interrupted you, sir.

Senator SYMINGTON. The question I was going to ask Mr. Chairman, concerns the export point of the program. One thing we want to do is get rid of this inventory. Nothing, in my mind, is more important to the long-range future of the wheat farmer than getting rid of this inventory. Are you specifying that you have to sell wheat abroad at a hundred percent of parity?

The CHAIRMAN. That is what the bill provides.

Senator SYMINGTON. I want to get a clear understanding of this point.

The CHAIRMAN. That is in the bill. That is the way I interpret it.

Senator SYMINGTON. How are you going to move it if you stipulate by legislation you have to move it abroad at a hundred percent of parity?

The CHAIRMAN. That is the point I am raising.

Senator SYMINGTON. I don't understand it either, Mr. Chairman.

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The CHAIRMAN. The bill provides for a support price, as I understand it, of 75 percent of parity, but in order to get more than the 75 percent of parity, they use a little gadget there that might be effective in raising the price from 75 to as much as 100 percent because the 150 million bushels of wheat, let's say, that they set aside, would have to be sold by CCC at parity. You couldn't sell it for less than that.

Senator SYMINGTON. Mr. Chairman, I want to make my point clear. I have read Senator Carlson's fine statement. Based on his figures, the total cost of the wheat program in the last 27 years, is considerably less than 1 day's annual income in the United States—about two-thirds of 1 day's annual income. However, I think we will all agree we want to get rid of these wheat inventories in the interest of the farmers, as well as everybody else. But it would seem a bit incongruous if, in your bill you are not allowed to sell wheat stocks abroad for less than 100 percent of parity. Is this correct?

Senator YOUNG of North Dakota. I think the witness can answer that question.

Mr. BRUNS. I think Mr. Smith—he uses a little different terminology. Maybe he can understand it.

The CHAIRMAN. All right. I am speaking now of the bill as we understand it, what is before us, and if I am in error, I have to my left here our chief counsel and our chief economist, who studied this bill and that is what they tell me is included in that bill.

Proceed.

Mr. SMITH. I think first I would tackle this problem of how we will reduce Commodity Credit stocks. That is done by the simple method of issuing certificates to farmers in an amount less than the requirements, which means that there will be a pull on the Commodity Credit stocks. Now in our analysis of our program, we have said that there would be a requirement of 950 million for domestic use and exports and in order to reduce Commodity Credit stocks, and we would only issue to farmers 800 million bushels, which shorts the market by 150 million bushels. The exporters or processors will have to go to the Commodity Credit for supplies and since Commodity Credit sells their stocks for not less than 100 percent of parity, it means that the price of all of this wheat will approach 100 percent of parity. We do not expect to get full 100 percent of parity because farmers start to move wheat before the price reaches that level. We expect it to average somewhere between 90 and 95 percent of parity at the farm level.

Now if there is no question on that, I would try to answer the question with regard to the exports.

The CHAIRMAN. Well, there is no doubt in your mind, then, that the bill does provide that any wheat that the Commodity Credit sells abroad through export, either through the wheat agreement or Public Law 480, must be sold by the Commodity Credit at a hundred percent of parity.

Mr. SMITH. To exporters for export that is right.

Senator SYMINGTON. Then it won't be sold.

Mr. SMITH. Not to foreign countries at a hundred percent of parity.

The CHAIRMAN. We would have to subsidize it, sir.

Mr. SMITH. That is right; that is the point I was going to bring up next.

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The CHAIRMAN. All right. In other words, if the wheat is sold at a hundred percent of parity, that is bound to raise the——

Mr. SMITH. The export subsidy.

The CHAIRMAN. Certainly, and the point I was making awhile ago was how will it decrease the cost of this program. That is where I can't follow you.

Mr. SMITH. For that particular phase, we will have some increase in Government costs, but there will be other places we will have substantial decreases.

The CHAIRMAN. Tell me where under this bill.

Mr. SMITH. First let me discuss further the export subsidy. Now we wouldn't move out any wheat out of this country at the present time unless we pay some subsidy. I don't have the figures in mind, but let's say between 50 and 60 cents subsidy at the present time. If the price of wheat goes up 10 cents tomorrow, our subsidy will be increased an additional 10 cents. If it goes down, our subsidy will go down. It is based on the price of domestic market.

Senator YOUNG of North Dakota. And paid in wheat?

Mr. SMITH. Some paid in wheat; but if wheat prices advance, the export subsidy under the present program will continue to advance. Now we believe wheat will advance under this program because the market is shorted and Commodity Credit cannot sell at less than a hundred percent of parity. We expect the price of wheat in this country to advance to over 90 percent of parity, somewhere between 90 and 100 percent. That will mean a corresponding increase in export subsidy. Sixty cents is the maximum increase possible. That is making the assumption that all wheat will be sold at full parity. That is not true. It will not go to full parity and stay there. Since average farm prices will be less than 100 percent of parity. The increased export subsidy will be somewhat less than 60 cents. My estimate is it would be somewhere around 45 to 50 cents.

The CHAIRMAN. Excuse me a minute. Off the record.

(Discussion off the record.)

The CHAIRMAN. Now I want to ask you one question. Under the wheat agreement, as I understand it, we are compelled to sell this export wheat at about $1.50, but the parity price is $2.37, so that the subsidy would amount to 87 cents a bushel. That is quite an increase from 50 cents.

Mr. SMITH. That is right.

The Chairman. That is what it usually sold for because of so much wheat on hand. That is what it usually sold for.

Mr. SMITH. We are not compelled to sell at this minimum price.

The CHAIRMAN. No; but you will find no buyers unless you sell it for that.

Mr. SMITH. Well, the subsidy that is required to move wheat out of the country at the present time is somewhere around 50 cents.

Senator SYMINGTON. I would like to make one comment on this situation, Mr. Chairman. As I see it here, Mr. Chairman, a great many people in the world go to bed hungry. We have some billion-plus bushels of wheat which could be used to alleviate that situation. As I understand it, the world price is $1.50 under the wheat agreement. As I understand this bill, if the State Department decides we want to move some wheat into these countries, we are going to have

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to sell the wheat at $2.37. But we won't. If we are to move the wheat, there will have to be a subsidy. I can understand why, to help the American wheat farmer, you want to maintain the domestic market for wheat at prices reasonably comparable to other segments of the economic standard. I can understand that, but I am concerned about this stipulation that requires an export subsidy and is added to the tremendous cost of the farm program.

Mr. BRUNS. Mr. Chairman, that isn't the intent of the farm organizations or, I think, the sponsors of the bill, to sell wheat in foreign countries at full parity. The intent is to bring the parity price up in the domestic market and to subsidize it down to the world price.

The CHAIRMAN. I know that. I know that, but you are insisting that it be sold at parity, and let the Government pay the difference.

Mr. BRUNS. That is right.

The CHAIRMAN. Exactly, and why do you do that; it is to up the price of domestic wheat.

Mr. BRUNS. That is right.

The CHAIRMAN. Exactly; I can see your point.

Mr. Smith, you may proceed.

Mr. SMITH. I have one further point to make on it regarding the increased costs of export subsidies. About one-third of this cost is offset by the very fact that Commodity Credit can move their stocks into the channels of trade at higher prices. In other words, about one-third of the assumed 450 million bushels that we anticipate for export will come from Commodity Credit stocks at a hundred percent of parity and they will get that much more for that wheat, which will offset at least one-third of these increased costs of export subsidies.

The CHAIRMAN. Well, I am informed by our counsel, that the Department of Agriculture has estimated that as much as 90 billion bushels would be involved in this additional allocation.

Mr. SMITH. Well, that is a——

The CHAIRMAN. So that because of the fact that a good deal of this would come from the producers on small farms, there is only from 60 to 80 million bushels which would come out of Commodity Credit for that purpose.

Mr. SMITH. That is a different subject. I would rather discuss that at a separate time, if I might continue on with export subsidy discussion.

The CHAIRMAN. All right. I am just trying to get to the roots of this bill as soon as we can to find out the implications involved in it. As I said, the questions that I am asking are simply to draw out what the real facts are and what the intentions are.

All right, Mr. Smith, do you want to continue?

Mr. SMITH. May I continue?

The CHAIRMAN. Surely.

Mr. SMITH. The other point that I wanted to make is under the present legislation, in the act of 1949, that requires that when we have balanced production, the prices of wheat will have to be supported at 90 percent of parity. That is the law we have operating at the present time, which means we would either have to abandon our export market or increase the subsidies to take care of the higher price of wheat. It would have to be supported at 90 percent with

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balanced production. In other words, you have constructed laws in the past several years that require higher supports, when farmers put the supply in balance. The support would be 90 percent of parity, not 65, 75, 80, or anything else. It would be 90 percent, when the supplies are in balance. Under this legislation we would put the supplies in balance. They would be a little out below actual balance, by shortening the supply and permitting Commodity Credit to share in the market. Therefore, this export subsidy would be no higher than required under the act of 1949.

Senator SYMINGTON. If the amount of the export subsidy is increased it will reduce the desire to use wheat in foreign aid because they will have to put that many more dollars of the foreign aid funds.

The CHAIRMAN. Senator, what I tried to point out a while ago is, and what Mr. Bruns agreed to was, that the reason why the wheat that is to be exported is to be sold by Commodity Credit at a hundred percent of parity is to up the price of domestic wheat. That is the reason; no other reason. That is true, isn't it?

Mr. BRUNS. That is right.

Senator MUNDT. Which represents about 300 million out of 450 million exports.

The CHAIRMAN. All of it would be a hundred percent of parity.

Senator MUNDT. Yes; but I mean to pull up the 300 million, to pull the price up—that is the reason why they have to subsidize the 150 million.

The CHAIRMAN. What I want to find out is how this new program is going to decrease the cost. That is what I am interested in, because that is one of the things we are fighting now, as you know. The taxpayers are not pleased at having 3 billion tied in wheat. They want to reduce it, but, if I understand this program, the chances are we might increase it.

All right, Mr. Bruns.

Mr. BRUNS. Compared to the present program, it decreases it.

Now do you wish to ask further questions on points 1, 2, 3, and 4?

Senator YOUNG of North Dakota. I would like to ask a question on No. 1 that I don't think was fully answered, when you asked the question, Mr. Chairman. When this program takes over you do have a lot of wheat in the pipeline, so to speak. Part of that would be wheat which the farmer has loans on from the Federal Government.

Mr. BRUNS. Right.

Senator YOUNG of North Dakota. Would you permit the farmers to pay this loan and to redeem that wheat and sell it for certificates?

Mr. BRUNS. He would have to have certificates before he could sell it, so I don't think it is much of a problem, really.

The CHAIRMAN. Senator, as I understand it, there would be no free wheat when this starts because the Government would have to take all of it over.

SENATOR YOUNG of North Dakota. There are different kinds of wheat. Where the Government has loans, the farmer can let that wheat go to the Government or he can reclaim it. Then there would be more free wheat, you see.

The CHAIRMAN. Yes; but he would get a certificate to sell it.

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Mr. SMITH. That is right. That is the main point. I have a statement that I would like to read that I believe would answer the Senator's question. The act provides that wheat produced in prior years which is in the channels of trade, including also wheat owned by farmers that could have been sold without penalty, will be certified for primary use.

Senator YOUNG of North Dakota. You mean a farmer could redeem his loan, if he had a loan, he could redeem that wheat and sell that for primary wheat?

Mr. SMITH. If I may finish the whole statement, I believe we could clear that up.

Now, this provision would be necessary during the first year of the program in order to shift from one type of program to the other.

Senator YOUNG of North Dakota. It would be unfair. If some farmers sold their wheat for cash, that would be gone. Another farmer who had a loan on his wheat could redeem that, and you say he could sell that for primary use. I don't believe the bill intends to do that.

Mr. BRUNS. I don't believe your farmers would do this, because he has a limited number of certificates he could sell wheat on, so he would be foolish if he did it.

Mr. SMITH. If I could read this statement clear through—perhaps I am in error, but I don't believe I am. It is just about a half page and it will take not more than a minute.

The CHAIRMAN. All right, go ahead.

Mr. SMITH. Under the present program, at the end of each marketing year the Commodity Credit Corporation has become the owner of practically all carryover wheat except current pipeline requirements of processors and exporters. At the end of the first year's operation there still must be wheat in the pipeline for current usage. Therefore, any wheat from prior crop on hand, certified for primary use, will lessen the CCC takeover by that amount, but since it will be available for primary use it will lessen the demand for CCC's 150-million-bushel share for primary use by that amount for that year.

Senator JOHNSTON. Would this bill encourage getting the wheat out of the pipeline?

Mr. BRUNS. I didn't understand that.

Senator JOHNSTON. You were saying that there would not be as much remaining in the pipeline as there has been. But does this encourage getting it out?

Mr. SMITH. In making that statement I mean processors have to keep on hand so much wheat to mill. At the end of the first year of operation there would be just as much in the pipeline as there was at the start. Now with regard to wheat on the farm, any wheat from prior crops, certified for primary use, will lessen the CCC takeover by that amount. But if they hold it back, it won't go into the Commodity Credit's hands; but since it will be certified for primary use, it will lessen the demand for CCC's 150-million-bushel share for primary use by a like amount that year.

In other words, if they would take from under loan, it is going to lower the takeover for Commodity Credit that year, but if we certify, it will lower the amount that Commodity Credit will get to sell that

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first year, and at the end of the first year Commodity Credit will be in exactly the same position.

Senator YOUNG of North Dakota. One farmer would have the advantage over another. Suppose he took a loan. You say he could redeem that wheat and sell it as primary wheat. That would be unfair.

The CHAIRMAN. Listen to the way the act reads.

On page 9, under (b), it says:

For the purposes of subsection (a), wheat shall be considered to be certified to be primary-use wheat if—

(2) the producer thereof certifies that it was harvested prior to the calendar year in which the first marketing year for which this subtitle is in effect begins, and could have been sold prior to the beginning of such marketing year without the payment of a marketing penalty * * *—

in other words, all free wheat, and then down here it says—

such wheat was in the channels of trade on the effective date of this Act.

In other words, if you had a lot of wheat and sold it, you would be at a great disadvantage as compared to anyone who put it in under loan. What he could do is have that wheat certified, get it back, and then maybe get 90 or 100 percent of parity on it instead of the 75.

Senator YOUNG of North Dakota. I think that is the point you wanted to clear up.

Mr. BRUNS. There are some problems in transition from an acreage control program to a bushel program. We envision what was intended is expressed in the principles in the law. They may not do it, but we envision this would work. Now if it doesn't, it could be tightened up so it would work.

The CHAIRMAN. Well, that is what we must do here. You know it is easy to suppose, as one of your economists, I think, presented to us some time ago, when you first appeared here, and assume cases, and if everything comes out just as it is assumed, well it is all right, but that isn't in accord with the bill, as I understand it. You can make all of the assumptions you want, and if everything comes out exactly as you say it will, all right, but under this bill I am sure it can't come out.

Mr. BRUNS. Senator, I would like to say we recognize—we had a session with the Farmers Union and the Grange yesterday and we agreed that the bill was written with a time limit on it and it is an imperfect draft. We would be willing, if the committee wishes, to sit down with the committee and people of the Department and work out these details, and we don't think there would be any insurmountable problems.

The CHAIRMAN. You may proceed, Mr. Bruns.

Senator MUNDT. Mr. Chairman, I would like to ask either Mr. Bruns or Mr. Smith, in the attainment of the objectives of points 1 and 2; as of now we start off with a 50-million wheat acreage, what do you envision would be the cutback from that 50 million involved in your program?

Mr. BRUNS. Based on normal yield, two-thirds of a farmer's present allotment would be the amount of acres needed to produce his primary-use requirements.

Senator MUNDT. Do you envision a one-third cut?

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Mr. BRUNS. Yes. In other words, 50 percent of the wheat base acres would be needed to produce the primary-use requirement, and then you have in addition the seed that he will have to produce.

Senator MUNDT. You would have to get him at least a one-third increase in price for him to break even?

Mr. BRUNS. Possibly. However, if he is retiring land, this is something that reduces costs on that amount that is retired.

Mr. Chairman, do you wish that I read the 14 points we have here? We had this before.

The CHAIRMAN. You have it in the record?

Mr. BRUNS. Yes, it is in the record before, except when we were here before we weren't settled on the 15-acre provision, which is No. 3 under the 14 points, and there is a change in No. 5, which is the land retirement section.

The CHAIRMAN. Let me ask you this: Why would you tamper with the 15-acre provision?

Mr. BRUNS. We don't plan to tamper with them, except that a farmer who in recent years has expressed his desire to plant wheat, we feel that he should be given consideration.

The CHAIRMAN. That is for the allocation of certificates?

Mr. BRUNS. That is right; of his certificate, and No. 3 of these 14 points calls attention to this. Possibly for clarification we should just read through those points.

The CHAIRMAN. All right.

Mr. BRUNS. It won't take very long.

The 14 points of how the program works are as follows:

1. The Secretary shall determine the total quantity of wheat for the primary use. This shall be the amount of wheat to be used for domestic food consumption and total exports for the next marketing year.

2. Establish a national wheat requirement for primary use in an amount 150 million bushels less than the amount determined in No. 1 above.

3. Allocate the national wheat requirement for primary use among individual wheat producers on the basis of the established wheat base acres and normal production on each farm, except that if a producer has a base of less than 15 acres, he may apply for an upward adjustment which would consider his actual average annual planting of wheat for harvest of the immediately preceding years, plus normal diversion credit (about 50 percent) as a starting point from which to determine his share of primary-use certificates.

Senator MUNDT. Would this formula, Mr. Bruns, increase or decrease the amount of wheat produced in the aggregate by these small producers?

Mr. BRUNS. It would decrease the amount of wheat produced in the aggregate.

Senator MUNDT. By the small producers?

Mr. BRUNS. Yes; by the small producers because he will be treated the same as everyone else, except those who apply for an upward adjustment and have planting history in recent years above his base, those you would have to raise the allocation. In other words, all No. three does is establish a new base from which everybody shall be treated equally.

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The CHAIRMAN. In answer to the question by Senator Mundt, you would have to reduce the wheat production by about a third?

Mr. BRUNS. For primary use.

The CHAIRMAN. Yes. So that a small farmer who has been planting 15 acres would have 10 acres for primary use, if this formula is about right, and the rest would be secondary use and he could plant as much as he wanted above that.

Mr. BRUNS. Yes; and this answers the question of a lot of those farmers who want to use wheat for feed and have been prohibited to do so. This gives them the privilege of doing that.

The CHAIRMAN. With this unlimited amount of wheat production, have you given thought as to the effect or the impact that may have on corn producers and those who produce other feed grains?

Mr. BRUNS. Yes; we have, considerable.

The CHAIRMAN. Are you going to discuss that?

Mr. BRUNS. If you wish.

The CHAIRMAN. Well, I wish you would because that is very important.

Mr. BRUNS. In my opinion, when a farmer knows that he has X number of bushels that he can sell in the primary market and he has complete freedom of production management of what he does on this farm, under this program he can plant wheat if he feels that he is in a territory where wheat is the proper crop, where you have high risk, like out in the Great Plains; but under my assumptions, if he is in an area where his crops are consistent, I think he would be foolish, and I don't believe he is going to plant more wheat on diverted acres or more wheat in excess of what his primary certificates will be. I think he would be apt to plant corn. However, in order to comply with this program, he must retire 20 percent of the wheat production portion of his farm to no use.

The CHAIRMAN. What will he do with that 20 percent?

Mr. BRUNS. Nothing. It is out of production. He will fence it off and that is it.

The CHAIRMAN. Can he put cattle on to graze it?

Mr. BRUNS. We provide this land shall be out of production. It isn't spelled out. It says it leaves it up to the Secretary as to how it should be.

The CHAIRMAN. Could he raise hogs on it?

Mr. BRUNS. No; I don't think so.

The CHAIRMAN. But you don't prevent him from using it for cattle or grazing and things like that?

Mr. BRUNS. That is an administrative decision, what should be done about it.

The CHAIRMAN. Why don't you write that in the bill? Why impose that on the Secretary?

Mr. BRUNS. It could be written in, if you so wish.

Senator SCHOEPPEL. Do you recall the same percentage cut on the 15-acre tract?

Mr. BRUNS. Yes, sir; and if he goes into his ASC office and requires an upward adjustment, any upward adjustment that he will be given, that amount, whatever it is, he shall take 20 percent from that, too, you see, because we are trying to treat everybody alike. The idea

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of this 15-acre thing is if a fellow feels he has been dealt with unfairly, then he has a right to go in and request his plantings as his new base.

Senator JOHNSTON. Will not a man that has, say, 7 or 8 acres ask for enough to get the same amount of acres after he has it all set?

Mr. BRUNS. Well, it provides that he can get the lesser of 15 acres or the average of his last year's annual plantings, whichever is the smaller, so it limits him to not more than 15 acres.

Senator JOHNSTON. But a great many of them have less than 15; they have 8 and 9.

Mr. BRUNS. That is true. Now this raises a point that was mentioned by the Department in the 90 million bushels. I don't have it right at hand, but as I recall the Department's analysis, it said that this will be 90 million bushels, this is based on the maximum, a hundred percent participation of 15 acres on requests for upward adjustment, and it says in 1959 their average plantings were 11 acres, but the bill provides what shall be used—1958, 1957, and 1956—so if the figures were used as the bill provides in the Department analysis, the 90-million-bushel figure would be less.

The CHAIRMAN. Proceed.

Senator MUNDT. You said, I believe—I may have misunderstood you, but I think you said you did not believe that the average wheat farmer would raise this secondary wheat because he would find it more profitable to raise some other crop, but that you didn't think the new competition with corn and other feed grains would be serious. Did I understand you correctly?

Mr. BRUNS. That is right, because the diverted acres today that are not raising wheat are raising something. They are raising corn and feed.

Senator MUNDT. If that is your basis of procedure, would it seriously impair your bill and knock the props out of it if you provided that he couldn't raise this secondary wheat? There is a basic fear, I might say, in States like Iowa and part of South Dakota, other than the wheat belt, when you get to the diversified farm area, the corn area, they can raise a lot of questions about it. If you can eliminate that fear by some legislative statement it would greatly enhance the acceptability of the bill with all segments of the farm industry.

Mr. BRUNS. Would you propose, then, Senator,—What would the fellow to do with these other acres then, plan barley or corn, but not wheat? I don't see it makes any difference what he plants.

Senator MUNDT. At least it would not inject any new type of competition from wheat. The secondary wheat would go into the market at such a low price it would pull down the price, like on barley, oats, and corn, and I would like to see some legislative safeguard or answer against that, rather than just an assumption of what the farmer may decide to do, if that wouldn't impair the workability of your bill.

Mr. BRUNS. If he takes 20 percent of his productive capacity out, this will reduce the feed units that are presently being produced by—What is that figure, Lee?

Mr. SMITH. Down an amount equal to about 120 million bushels of corn.

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Mr. BRUNS. And he has to do this to comply with the program, so I don't think there is any justification for the fear that the——

Senator MUNDT. And this 20 percent is out from what, from the 55 million wheat base?

Mr. BRUNS. From his 80 million, from the overall 80 million wheat acres.

Senator HICKENLOOPER. Where do you find that 80 percent?

Mr. BRUNS. Page 12, 10 percent. I don't believe I have a copy of the right bill.

The CHAIRMAN. Here is one. I was going to point out that it is 20 percent only if 10 percent is compensated for in some way.

Mr. BRUNS. Ten percent would be compensated; that is right.

The CHAIRMAN. And 10 would not be?

Mr. BRUNS. Ten is free.

The CHAIRMAN. What kind of compensation would you require?

Mr. BRUNS. The present rate that is paid for conservation reserve payment. We didn't intend to rewrite the conservation reserve or Soil Bank Act at all, just the way it is. The rate is established in each year. Now this is an unknown, Senator.

The CHAIRMAN. Of course that is out of the picture.

Senator HICKENLOOPER. Mr. Chairman, I am still not clear on this.

The CHAIRMAN. Excuse me a minute, Senator.

Senator HICKENLOOPER. Going back to 12 in this bill——

Senator YOUNG of North Dakota. Mr. Chairman, may we have order? I can't hear the question from here.

The CHAIRMAN. Yes.

Senator HICKENLOOPER. The Secretary says that no wheat producer shall be eligible to participate in a program under this for any year, unless he places in land retirement portions of tillable acres on his farm equal to 10 percent of base acreage of farm established under section 379(c). Does that mean 10 percent of his entire farm or does it mean 10 percent of the base primary wheat acreage on the farm?

Mr. BRUNS. It means 10 percent of his present wheat base acreage, which is, on the national total, 82 million acres, just looking at it as if it were one farm.

The CHAIRMAN. Why make it on the basis of 82½ million?

Mr. BRUNS. Well, the wheat base acres represents the farms' productive capacity more accurately than your allotment. You could do it on the allotment, which is the same as doing it on the basic acres, except everything in the ASC records and all is worked on base and the base is the farms' wheat productive capacity. That way it is a little simpler to define and probably a little harder to understand.

Senator MUNDT. Mr. Bruns, I am a little obtuse in my understanding of that 82 million. It seems to me if you take 20 percent out of 82 million, you wind up with more than 55 million to start with.

Mr. BRUNS. Oh, yes.

Senator MUNDT. And we are trying to cut back wheat acreage instead of increase it.

Mr. BRUNS. This is true, but what are you using on the difference between 82 and 55 million acres today? This seems to me to be the point. Whatever that difference is, that is producing something and this is the part we are making the reduction in, whatever that is producing. It doesn't make any difference whether it is wheat for feed

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or feed grains. In your case, Senator, if you want to produce corn, you can. In my case, if I want to produce wheat, I can, but we have part of that productive capacity set aside so it isn't producing at all, and the wheatgrowers feel the total problem in agriculture is the planting is too large, our productive capacity is too great; therefore we are willing to take 10 percent or our proportionate share of the overproduction out for free.

Senator MUNDT. Maybe you could answer the question this way: You have figures to show how the annual planted acres of wheat under your plantings would compare with the annual planted acres of wheat now? Do we have that?

Mr. BRUNS. This is just a guess because if you and I are both wheat farmers, you don't know what we are going to do. It depends upon what area we live in as to what we are doing to plant on this land.

Senator MUNDT. You have the historical record of what the annual planted acres are?

Mr. BRUNS. Yes, I think the historical records of what the plantings are now are available from the Department. I am sure they are.

Senator MUNDT. What I am trying to find out is whether under your program you are going to have less annual planted acres of wheat and, if so, by how much.

Mr. BRUNS. You won't have less annual acreage of wheat in the beginning. We differ. We vary within the people that sponsored the bill here as to what the planted acreage of wheat would be, because it is an unknown. This is up to every farmer. If he knows he can only sell so many bushels, then the balance of his production——

Senator MUNDT. This is very pertinent though in answering the question on whether or not this will have an adverse impact on other feed grains, because you know what the primary wheat crop is going to be, but if we just don't know anything about what the secondary wheat is going to be, and it goes into the channels of trade and competition and everything else, then you have an imponderable that worries a lot of farmers that raise feed grains.

Mr. BRUNS. Senator Mundt, I believe it doesn't make any difference whether he raises wheat for feed or whether he raises barley or corn for feed. I don't think it makes a bit of difference, and he is presently raising barley, corn and other feed grains for feed. Under this program the acres that he is presently using to do that with will be reduced because he has to be——

Senator MUNDT. Up in the northern counties in North Dakota they are not going to raise much corn now in competition with the corn farmers of southeastern South Dakota.

Mr. BRUNS. That is right, and those farmers, under this bill, would be privileged, if wheat does better, to plant wheat up there and feed it. There is really three small areas in the United States that would be expected to increase their wheat production and that is the Great Plains, a spot out in the Pacific Northwest and up in North Dakota where the rainfall is low.

Senator MUNDT. Where they can raise almost nothing but wheat.

Mr. BRUNS. That is right, and the growing season is short.

Senator YOUNG of North Dakota. Is it your feeling if they planted wheat instead of corn they would be producing far fewer bushels per acre of wheat than they would of corn? The same thing

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is true of sorghum. If they attempt to substitute wheat as a feed for those commodities, they would be producing far less for surplus problems than they are now.

Mr. BRUNS. That is right.

The CHAIRMAN. But, Mr. Bruns, as I pointed out awhile ago, would not the passage of this bill seriously affect the producers of corn and other feed grains?

Mr. SMITH. No, it would help them.

The CHAIRMAN. What?

Mr. SMITH. It would lessen the pressure on them.

The CHAIRMAN. How, when you plant all you desire and then your penalties here are based on 82½ million acres instead of 55, which is the minimum now? You are bound to have more wheat planted and if only a fraction of that can be sold for the primary purpose, the rest of it is bound to go for secondary purposes.

Mr. SMITH. First, Senator, we will have somewhere around 15 to 16 million acres less in production, as provided by this law.

The CHAIRMAN. You mean under 55 million?

Senator MUNDT. Under 82.

Mr. SMITH. I am talking about acres for overall production.

Mr. BRUNS. Well, 82 is producing today.

Mr. SMITH. If we take 16 million acres of land out of production, it is going to lessen the production on feed grains.

The CHAIRMAN. You are figuring 20 percent?

Mr. SMITH. Yes.

The CHAIRMAN. Well, on 10 percent of the 20, the Government has to come in and compensate them for it at what rate?

Senator MUNDT. That wouldn't invalidate his argument.

The CHAIRMAN. How is that?

Senator MUNDT. That doesn't invalidate his argument. He is saying this would reduce the pressure on feed grain. Whether he does it free or gets paid makes no difference as far as his argument.

The CHAIRMAN. The point is we go back to the cost of this program. That is what you are trying to cut down.

Senator HUMPHREY. Excuse me, Mr. Chairman. The point is there are two figures here, the 80 million plus acres and the 55 million acres. As we all know, the 55 million is the total alloted acres.

The CHAIRMAN. The minimum.

Senator HUMPHREY. Yes; 55 million allotted acres and 82½ million base acres, acres historically planted to wheat. All 82½ million acres may be planted, even though only 55 million are allotted for wheat. I believe the point that is being made is that there is a potential 20 percent reduction here in acreage which competes under present law, present circumstances, with other feed grains, because the acreage that is not under the price control program or the price support program and the wheat acreage allotment program is still producing, and producing crops that add to the total supply of feed grains. If you can cut back 20 percent of all production, on these 82½ million acres, you would surely relieve some pressure on the feed grains. Isn't that the point we were trying to develop in this bill?

Mr. BRUNS. That is the point.

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Mr. SMITH. There is one other point. Now this cutback of almost 16 million acres, it is going to take almost 10 million of that to stop the flow of wheat into CCC. We have to stop that first. So it will take about 10 million to stop that, but in addition we would have about 5 million acres to lessen the pressure on feed processors and definitely those figures are correct; it will lessen the pressure on feed producers by a total of nearly 120 million bushels.

The CHAIRMAN. Well, I would like to see it your way, but I don't quite follow you.

Mr. BRUNS. I think the discussion has covered the balance of the 14 points, but unless you want me to go ahead——

The CHAIRMAN. That will be in the record.

Senator HART. Mr. Chairman, before we leave——

The CHAIRMAN. Yes, Senator Hart.

Senator HART. How would we apply the obligation to reduce 10 percent of the wheat base in the case of the 15 acre farm? Would it be to allocate acreage or fifteen?

Mr. BRUNS. It would be to his wheat base. He presently has a wheat allotment and his base is above his allotment by about a third, so he would be treated the same as compliers; all wheat producers will be treated the same on their wheat base. He would have the same requirement under this. Now originally we said that he wouldn't have, if his bushel quota was less than 200, he wouldn't have to participate in this, but this was changed in final sessions with the Grange and Farmers Union. We thought this was a more equitable way to handle it, so everybody is treated alike.

Senator SCHOEPPEL. Let me ask you one question for the record. With respect to the 15 acre tract, assuming that there are thousands who have not exceeded the 15 acre tract in their total production, would they have to reduce that 15 acres, if that was their total full productive acreage on their farms of wheat? I am getting this for the record. I think I understand what your bill tries to do, but I want it for the record.

Mr. SMITH. To me the question is, Would this 15-acre producer be required to meet the requirements of the land retirement? and the answer is "Yes."

Senator SCHOEPPEL. If he only had 15 acres and that is all he had?

Mr. SMITH. Yes. Without regard to the size of his acreage.

Senator SCHOEPPEL. That is right. It would be absolutely understood that these 15 acre boys would have to, in order to come under this program, would have to take those same proportionate cuts off the 15 acres. That is correct, isn't it?

Mr. SMITH. That is right.

Senator HUMPHREY. In order to qualify for the benefit.

Senator SCHOEPPEL. That is what I am getting at.

The CHAIRMAN. All right, proceed.

Mr. BRUNS. Any other points under these 14 points you want to cover?

The CHAIRMAN. I think we discussed all of this before. We have all of that in the record, as I recall.

Mr. BRUNS. Our program differs from other proposals in six ways:

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1. It raises, rather than lowers, farm income.
2. It uses bushels rather than acres for controls.
3. It provides for a reduction in CCC stock rather than further increases.
4. It lessens, rather than increases, feed grain production on diverted areas.
5. It encourages farmers to stay on the farm instead of accelerating the exodus to the city.
6. It substantially lowers overall costs, when compared to present programs, rather than raises them.

This program has broad support; bipartisan support in the Congress, plus the support of several farm organizations; however, since it is somewhat different from other proopsals, it raises sharp rebuke from the negative critics.

I wish to point out some of the reasons for our particular approach to the problem.

1. Why bushel instead of acre controls? Acreage controls, however, stringent, must always be related to yields per acre. It should be equally clear to all concerned that as greater acreage cuts are imposed a sharp rise in wheat yields can be expected for the following reasons:

(*a*) The most productive portion of each farm will be used for wheat production.

(*b*) An increased use of fertilizer and irrigation can be expected.

(*c*) A rapid change to newly developed high-yielding varieties will take place.

Now I am sorry Mr. Bayne could not be here because out in the State of Washington they have a new variety of wheat called Shorty Wheat. It is a strain of Japanese wheat that has been bred up with American wheat and he tells me on dry land it has capabilities much above a hundred bushels to the acre and this wheat is being released this fall. This is one of the reasons we proposed a bushel control, rather than acreage control.

Senator YOUNG of North Dakota. This hundred bushel per acre of wheat is of poor quality?

Mr. BRUNS. It is somewhat poor quality, as I understand. It is just to be released.

Senator SCHOEPPEL. What is it, an inferior quality?

Mr. BRUNS. I couldn't say, Senator Schoeppel. I understand it is inferior to their present wheat, but in total nutrients per acre, you get much more per acre, you see, and by going to strict acreage controls, you just accelerate the adoption of this type of variety.

I just recently got a letter from Dr. John Shellenberger, from Manhattan, Kans., the head of the milling department there, criticizing the release of a variety wheat in Nebraska called Omaha wheat Dr. Schellenberg though it sacrificed quality for an increased yield. These are things that the wheat farmers are afraid of, why they felt that a bushel type of approach is easier to administer and more workable than an acreage control program.

The CHAIRMAN. When you say these two wheats, the variety of wheats have been released, is it by the Department?

Mr. BRUNS. No, they are released by the State agricultural colleges.

The CHAIRMAN. All right, proceed.

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Mr. BRUNS. Two. Why the 150 million bushel annual reduction? Any sound program needs to deal with the present CCC supplies. One which does not, fails to recognize the burden these stocks have on the market and the high annual Government cost involved in their acquisition and storage. We propose that a part of the market be shared with CCC in an amount of 150 million bushels annually, which we feel is an orderly and effective way to reduce these stocks to a normal carryover within 6 years.

3. Why 20 percent of wheat-base acres out of production? Diverted wheat acres allowed to produce other crops would only transfer the problem from wheat to others. Those who propose all-out production fail to recognize this. We do not wish to compound the problems of other agricultural commodities, hence we provide that in order to qualify for primary certificates, a farmer must retire 20 percent of his wheat-base acres (10 percent free; 10 percent for pay).

Senator JOHNSTON. How much will that 10 percent cost?

Mr. BRUNS. Whatever the present rate is and the reason we divided it and said that the 10 percent comes out free is because Senator Ellender and others told us when we were here originally that there wouldn't be additional funds available for land retirement, so we said we don't want to compound this problem; we are willing to take out our proportionate share of the overproduction for free for the privilege of having the higher price.

The CHAIRMAN. Well, this 10 percent though, the Congress would have to provide the funds.

Mr. BRUNS. For that amount you get paid for, that is true.

The CHAIRMAN. Ten percent; that is right.

Mr. BRUNS. This is why we broke it up, because this is an unknown.

The CHAIRMAN. Have you any idea how much that would be?

Mr. BRUNS. No, I don't.

The CHAIRMAN. You made no estimate?

Mr. BRUNS. No.

Senator HART. That 10 percent retirement is cumulative; is that right, annually?

Mr. BRUNS. No, it is the same 10 percent each year. It is not an additional 10 percent each year.

Senator JOHNSTON. Even if you are running a larger surplus, it wouldn't change?

Mr. BRUNS. No, it wouldn't change, because this is a market control program; it doesn't deal with production at all. It plans the marketing and allows the farmer to organize and manage his own production and have the burden of storage in his own hands. This is up to him; when the pressure gets on him, I think it would be the best deterrent we have yet. He can see then that there is no need to produce more than the market will take. What is the use?

Senator SCHOEPPEL. I would like to ask this further question: This follows the land, does it not?

Mr. BRUNS. Yes.

Senator SCHOEPPEL. It does not follow the individual; therefore, the individual couldn't divide his acreage?

Mr. BRUNS. Well, I think that when land was transferred that the same thing would happen as presently happens with your ASC committees, that it would follow the land, yes.

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Senator SCHOEPPEL. It does not change that concept?

Mr. BRUNS. No, sir.

The CHAIRMAN. But with further respect to the question just asked by Senator Johnston of South Carolina, this 20 percent would be for the first year and would be 20 percent of 82½ million acres, which would be around 17 million acres, and the minimum would be upped from 55, which is now the law, to 65 million.

Mr. BRUNS. Assuming that they all plant wheat, this is right. There is complete freedom of planting in here.

The CHAIRMAN. I understand.

Mr. BRUNS. No. 4. Why a fair price for the marketable production? Since 1947 production costs have gone up and, at the same time, wheat prices have gone down. Therefore, if farmers are to reduce the number of——

The CHAIRMAN. May I point this out: A moment ago I asked you a question as to what the cost would be. Our economist has just stated that the cost would be, annually, about $111 million using a $13.50 rate.

Mr. BRUNS. On the 10 percent for pay?

The CHAIRMAN. Right.

Mr. BRUNS. This doesn't change the present rate?

The CHAIRMAN. Right.

Senator HICKENLOOPER. I didn't follow that.

The CHAIRMAN. Eight-two and a half, the rate is $13.50 per acre.

Senator HICKENLOOPER. I thought it was higher.

Mr. BRUNS. Item No. 4: Why a fair price for the marketable production? Since 1947 production costs have gone up and, at the same time, wheat prices have gone down. Therefore, if farmers are to reduce the number of bushels marketed, they must receive a fair price in order to continue operations. Those who say that parity price for wheat would have the effect of pricing wheat out of the marketplace tend to overlook the present farm value of wheat in a 1-pound loaf of bread. At today's price, 75 percent of parity, the farm value of wheat is 2.3 cents per loaf, while at full parity the farm value is 2.9 cents per loaf. One can readily see that the price of the wheat has very little to do with the cost of the finished product. As for pricing ourselves out of the foreign market, one has but to review the fourth paragraph on page 8 of Senate Document 77, which says that little, if any, increase of exports could be expected even though the prices were considerably lower than at present. The price to the foreign buyer will not change under this program as export subsidies will still be required.

5. Why consider the 15-acre man? One of the major reasons corrective legislation has been difficult is the problem of growers of a small acreage of wheat. These growers, to a large extent, are not necessarily farmers of small acreage in total; but in many instances have comparatively large farms and derive the major portion of their income from other crops and livestock. Some of this group have shown a desire to grow wheat and such desire is indicated by their actual plantings in recent years. It is our opinion that it would be unfair to these producers to require that a large percentage of the crop normally produced by these small producers be utilized only as secondary wheat. S. 3159 attempts to correct this inequity by

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using the average planting of recent years as a starting point rather than their somewhat smaller established acreage allotment. In order to establish a base for these small growers, comparable to the base of larger wheatgrowers, these recent average plantings are adjusted upward by the same ratio as the allotments for all wheat farmers bear to the base acreages of all wheat farms. This corrective measure would only be applied when requested by the farmer, and if a 100-percent request was made it would require not to exceed 70 million bushels of primary use certificates. Just how many would apply for an upward adjustment is unknown, but since any upward adjustment means a larger acreage must be retired from production, then it is more realistic to assume that such requests would be 60 percent, in which case additional requirement for certification would not exceed 42 million bushels. If the committee believes that this is too much to allow these small growers to market as primary use wheat, we have no objection to amending this section of the bill to provide that the adjusted base on these smaller farms be limited to a smaller acreage. For example, a limitation of 10 acres instead of 15, again assuming that 60 percent of the growers requested the adjustment, would require about 21 million bushels, or half as much as the original proposal.

6. Justification for increased export subsidies. Proponents of other types of wheat legislation have refrained from presenting a total cost analysis of their programs. Even so, they have been most vociferous in expressing disagreement to our program. In my opinion, our program is the least costly of any wheat program now being considered.

Since our program costs less money, reduces Government stocks, provides better income for the farmers, lowers feed grain production on diverted acres, and encourages farmers to stay on farms, one can certainly justify the increased export subsidy until such time as CCC stocks are reduced to a normal carryover.

The CHAIRMAN. Thank you, Mr. Bruns.

Any further questions? If not, Mr. McLain, will you step forward?

Mr. BRUNS. Mr. Chairman, I have two analyses of our bill and our remarks about them that I would like to have placed in the record.

The CHAIRMAN. Without objection, they will be so ordered.

(The documents are as follows:)

COMMENTS ON MARVIN L. MCLAIN'S ANALYSIS OF THE PROPOSED WHEAT MARKETING ACT OF 1960, S. 3159, PREPARED BY THE NATIONAL ASSOCIATION OF WHEAT GROWERS

The following comments are given in refutation of the arguments set forth by Assistant Secretary Marvin L. McLain in testifying before the House Committee on Agriculture on the proposed Wheat Marketing Act of 1960. The indented paragraphs are quotes from the Secretary.

> 1. "In view of the fact that the objective of this legislation would be to reach a primary market price of about 60 cents above current levels, it is obvious that the export subsidy would have to be increased by a comparable amount above current levels. This would make the export subsidy in the neighborhood of $1.15 per bushel."

Although the objective of the legislation is to obtain full parity for producers, which would require 60 cents increase in export subsidies, it is unrealistic to assume average farm prices will reach this level. A more realistic assumption would be 90 to 95 percent of parity in which case the increased subsidy would be 37 to 48 cents per bushel.

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The increased export subsidy required would be substantially (about one-third) offset by the higher sales prices realized from the disposal of CCC stocks into the primary market. Therefore, the program would not materially increase the cost to the Government of maintaining the export market for wheat.

The basic objective of the proposed legislation is identical with that of the Agricultural Act of 1949 which embodies the flexible price supports now in effect. That objective is the attainment of parity prices to producers which, in the act of 1949, is to be accomplished by providing price support at 90 percent of parity when supplies are in balance with indicated market outlets. Lower price supports, down to a minimum of 75 percent of parity, apply under present legislation only as the total supply exceeds indicated requirements by stipulated percentages, and the objective is readjustment of supplies to normal and restoration of price support at 90 percent of parity.

In other words, the Secretary is, under the operation of the legislation now in effect, required to pay the same export subsidy as would be required under the legislation as proposed, if and when wheat supplies and requirements are in balance. The Secretary's objection to the proposed legislation indicates that he prefers, as a matter of policy, excessive wheat surpluses to a balanced supply situation in order to save funds required for maintaining export outlets for wheat. Obviously, the Secretary rejects the objectives of the legislation now in effect and flouts the intent of the Congress by abhorring the attainment of a situation under which a balanced wheat production would force him (under the mandatory provisions of the act of 1949) to support wheat prices at 90 percent of parity and thereby raise export subsidies to about the same level as would be required under the proposed legislation.

2. "Those farmers who have been eligible for the 15-acre exemption had an average acreage allotment in 1959 of 4.4 acres. This would mean that their base acreage would approximate 6.5 acres per farm. They actually planted an average of 11 acres per farm. This would mean that after the adjustment for the ratio as provided in the law, these farms would have a base acreage of approximately 15 acres per farm, or an increase of approximately 8.5 acres per farm. If this average increase is mutliplied by approximately 0.6 to adjust down to a primary market share, then the average increase per farm would be approximately 5 acres.

Since there are 690,000 farms this would mean that the Commodity Credit Corporation would have to purchase the average production from 3.5 million acres, or about 90 million bushels of wheat. This offsets to a very large extent the 150 million bushels which the CCC is authorized to sell at parity under this legislation. This would, also, tend to keep all 15-acre producers continually in business of producing wheat."

This provision was incorporated into the bill to provide relief for those wheat producers who have been permitted to harvest and market without penalty the production from not to exceed 15 acres of wheat, regardless of the allotment on on the farm.

It was our opinion that it would be unfair to these producers to require that a large percentage of the crop normally marketed by these small producers be utilized only as secondary use wheat. Neither did we think it fair to the commercial wheat producers to require them to absorb this additional allocation of primary use certificates.

We have been criticized severely by the opponents of this legislation because of this provision. The Department of Agriculture has estimated that as much as 90 million bushels would be involved in this additional allocation, which CCC would be required to purchase if the price received by farmers for primary use wheat falls below 90 percent of parity. We believe a fairer estimate would be about 70 million bushels.

If this committee believes, however, that this 70 million bushels, or the 90 million bushels is too much to allow these smaller wheat producers to market on primary use wheat, we would have no objection to amending this section of the bill to provide that the adjusted base on these smaller farms be limited to a smaller acreage. A limitation of 10 acres would require only about 35 million bushels, or half as much as the original proposal.

3. "As indicated earlier, passage of this legislation would result in a tremendous holding movement by farmers and speculators with respect to 1960 and earlier crops of wheat that they still might have. The fact that these quantities will be withheld from the markets for sales at substantially higher prices to the Government would also mean that those farmers, who

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in the past have overplanted their allotments and now hold substantial stocks of wheat in penalty positions, would be in a position to market the penalty wheat at substantially higher prices. This would constitute a windfall to past noncooperators."

The act provides that wheat produced in prior years which is in the channels of trade, including also wheat owned by farmers that could have been sold without penalty, will be certified for primary use. This will be necessary during the first year of the program in order to shift from one type of program to the other. The act does not provide that this wheat can be sold to the Government at substantially higher prices. Under the present program, at the end of each marketing year, CCC has become the owner of practically all carryover wheat except current pipeline requirements of processors and exporters. At the end of the first year's operation there still must be wheat in the pipeline for current usage. Therefore, any wheat from prior crop on hand, certified for primary use will lessen the CCC takeover by that amount, but since it will be available for primary use it will lessen the demand for CCC's 150-million-bushel share for primary use by a like amount for that year. The end of the first year of operation will find CCC stocks at the exact level they would have been had these stocks not been certified.

Wheat produced in prior years that could not have been sold without penalty will not be certified for primary use. However, such wheat can be marketed for secondary use, or in case of crop failure, delivered as certified in an amount not to exceed that producer's limited marketing certificates. This is not a windfall but coincides exactly with the intent of the present law whereby a producer is permitted to exceed his allotment and place the production of the excess acres in storage at his own expense in order that he may have wheat to sell in years of crop failure.

4. "It is obvious that the quantity produced in excess of the primary needs would be sold off farms where produced into feed channels. If we assume a production of approximately 400 million bushels of secondary-use wheat, this would mean that an equivalent amount of feed grains, mandatorily supported, would probably flow into CCC inventory. This excess wheat would result in lower feed-grain prices and would adversely affect livestock producers—the source of 56 percent of our farm income. This would simply be a further extension of the effects of past control programs under which producers of some basic commodities shifted out of the basic commodity into a feed grain. Between 1953 and 1959 there was an increase of feed-grain acreage of 11 million acres."

Any possible increase in wheat production for feed resulting from the proposed legislation, would not be in addition to feed-grain production, but essentially at the expense of the acreage now used for other feed grains. Furthermore, the emphasis placed by the proposed legislation on conservation use of the base wheat acreage now being planted to feed grains, is ignored by the Secretary in assuming an increase of 400 million bushels in feed wheat production. If feed wheat production should increase by that amount, there certainly would be a corresponding reduction in the acreage seeded to other feed grains.

The act provides that each producer, in order to comply, must remove from production 10 percent of his base wheat acreage without pay, and an additional 10 percent with pay, if funds are available for a land retirement program. This not only would stop the flow of wheat to CCC, but also would lessen the pressure on feed grain supplies by 4,608,000 tons (about 120 million bushels corn equivalent) and instead of depressing feed-grain prices or increasing the CCC burden of feed-grain accumulation, the opposite effect would be brought about.

5. "Passage of this legislation would result in the impression abroad that the United States is dedicated to higher export subsidies as a permanent means of resolving agricultural problems. This will create problems in current negotiations for trade liberalization."

Enactment of the proposed legislation, instead of impressing foreign countries as instituting a permanent program of increasing export subsidies as a means of resolving our agricultural problems, would be accepted as a measure aimed at protecting our domestic agricultural price structure without implying the promotion of increased U.S. competition in world wheat trade. If a policy of export subsidization as contained in the proposed legislation would, as the Secretary maintains, "create problems" in current negotiations for trade liberalization, then he clearly favors a program of perpetuating an unbalanced wheat situation in the United States in order to avoid the necessity of the higher price supports

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called for under present legislation which would also require correspondingly higher export subsidies. Thus, the Secretary is subjugating the interests of our farmers to foreign policy considerations.

It should be of no concern to any foreign country whether we pay 60 cents or $1.15 export subsidy to our farmers so long as the amount of subsidization is not designed to capture an increased share of the world wheat trade. Our share in total world wheat trade is determined under agreements with other exporting countries rather than on the basis of price competition in the form of subsidy payments.

6. "It most assuredly would result in higher costs of flour and other wheat products to the American consumer."

The proposed legislation would, of course, result in higher costs of flour to processors than under present legislation. If it is the Secretary's policy to have one segment of our economy permanently debased in income relative to the other segments of our economy, then his statement is consistent with such a policy. In taking such a position, the Secretary is openly flouting the declared intent of the Congress which is the restoration of parity income to our agricultural producers—not 80 percent, 75 percent, or any other percentage thereof. The percentages of parity lower than 90 percent, as provided under the flexible price supports under the act of 1949, apply to situations of imbalance only which are to be corrected by production adjustment and surplus disposal measures with the view to restoring a balance and providing 90 percent of parity price support as the means of attainment of full parity.

The present parity ratio of around 80 is the lowest in 20 years, and the purchasing value of wheat and other grains is now at a level only slightly above the lowest points of depression of the 1930's. Furthermore, there is nothing rigid about parity prices since they are now based on a 10-year-moving average of prices received by producers, and during the last 5 or 6 years, wheat prices have been consistently declining, resulting in constant downward revisions of wheat parity while, at the same time, the index of prices paid by producers has advanced to successive new high levels, year after year.

The small cost of flour as an item in the retail price of a loaf of bread is best illustrated by the fact that if farmers decided to donate their entire wheat crop to the American consumer, the cost of bread at the retail level could be lowered by not more than about 3 cents per loaf. In the period following World War II, the price of wheat declined for years in succession while, at the same time, the price of bread advanced sharply. There is no statistical relationship between the price of wheat and the price of bread, as there is none between the price of tobacco received by producers and the retail price of a pack of cigarettes.

7. "The problems of policing this type of legislation are exceptionally great. There will be required a new army of bureaucrats to engage in this police action."

The proposed legislation, if enacted, would eliminate all measuring of wheat farm acreage and policing of farm production, and compliance would be limited to supervision of exporters and processors of wheat. Such supervision would consist largely of statistical auditing procedures. The contacting of exporters and processors would certainly involve only a fraction of the controls now necessary for marketing quota controls, and the number of people required for the administration of the proposed program would, in fact, be materially less than the personnel needed for administering acreage allotments and marketing quotas under present legislation.

The President, in his February 9, 1960, message to the Congress, stated that he would approve any constructive solution of the farm problem, that Congress wishes to develop, provided such solution meets the criteria of "constructiveness" as defined in his message. The criteria set forth by the President are:

"First, that price-support levels be realistically related to whatever policy the Congress chooses in respect to production control, it being recognized that the higher the support the more regimented must be the farmer.

"Second, that price-support levels not be so high as to stimulate still more excessive production, reduce domestic markets, and increase the subsidies required to hold world outlets.

"Third, for reasons long expressed by the administration, that we avoid direct subsidy payment programs for crops in surplus; likewise, we must avoid programs which would invite harmful countermeasures by our friends abroad, or which, while seeking to assist one group of farmers, would badly hurt other farmers."

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The Wheat Marketing Act of 1960 as developed meets these criteria. The following comments are given to substantiate that the price support and production policies embodied in the act are consistent with the criteria laid down by the President as the basis for approving a proposed solution of the current problem.

Criterion 1

A policy designed to enable producers to obtain parity prices for only that portion of the current production which is in balance with indicated market requirements and, at the same time, providing for liquidation of the burdensome surplus accumulations from previous crops and removing all price protection from surplus production, must be considered as consistent with the criterion of sound price support and adjustment policies.

The mandatory provision of retiring a substantial portion of the wheat base acreage into soil conservation as a condition of eligibility for producer participation in the program insures a reduction on total crop acreage, and if there should be an expansion of wheat acreage, such expansion would be largely at the expense of, rather than in addition to, feed-grain production. With returns at parity prices limited to a fixed number of bushels, the act is more restrictive than present marketing quota legislation under which the same price supports apply when wheat production exceeds market outlets in response to advanced methods of farming or unusually favorable weather conditions.

Since the level of price support under the act is identical with the level of price support arrived at by present legislation, and since such level of price support is limited to the quantity of wheat needed to meet domestic food requirements and indicated exports at the same time permitting liquidation of the burdensome surplus accumulations under Government ownership, the price-support level and the controls provided in the act for balancing production with market outlets must be considered as fully consistent with the principles set forth in criterion 1.

Criterion 2

Neither increased acreage nor the attainment of higher and higher yields would be promoted by a program which limits high-level price support to a fixed number of bushels required to be produced to meet indicated market outlets. If, because of the cessation of acreage allotments and marketing quotas, producers should deem it advantageous to increase their wheat acreage, the wheat produced from such increased acreage would largely replace other crops and would have to compete with feed grains, pound for pound, on a feeding value basis. The much lower price realized for wheat as feed would, in itself, be a strong deterrent to further production expansion. It is, in fact, the production-restraining effect of low prices upon which Secretary Benson and those who support his proposed legislation primarily rely in attempting to balance wheat production with market outlets. However, there is, with respect to the function of price of adjusting production and consumption to each other, one important difference between the administration's legislative proposals and the Wheat Marketing Act of 1960: Secretary Benson contends for lower prices for all wheat, irrespective of usage, whereas the Wheat Marketing Act removes the umbrella of production-stimulating price protection only from the production which is in excess of primary requirements.

Inasmuch as domestic food demand for wheat is almost entirely inelastic, that is, unaffected by price—as is well illustrated by the remarkable constancy of domestic wheat consumption in the face of wide year-to-year variations in the price of wheat—price support at parity would not "reduce domestic market," one of the criteria of "constructiveness" set forth by the President.

While price supports at parity would increase the export subsidies required to bridge the gap between domestic and world prices, such would also be the case under present flexible price supports when wheat production is in balance with requirements, and 90 percent of parity price supports would become mandatory. Such an eventuality would, evidently be abhorred by Secretary Benson, despite the fact that it is the fundamental objective of all production adjustment and price support legislation.

The export subsidies required under the act would be no higher than those applicable under present legislation to a balanced wheat supply which the act aims to attain through the limitation of price support benefits to production for primary use.

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Criterion 3

The contention that the higher export subsidies required under the act would be resented by foreign countries and invite harmful countermeasures "by our friends abroad" is absurd. It is of no concern to any foreign country whether our producers receive high or low price support as long as our export policies are limited by international agreements and foreign-aid programs rather than price competition in international trade. Neither high nor low price supports have ever been a factor in increasing or decreasing our wheat exports, and if the amount of subsidization were the principal factor in determining the volume of our wheat exports, the subsidization could be increased or decreased irrespective of the domestic level of price support. High export subsidies resulting from high domestic price supports have never been considered by foreign countries as an attempt on the part of the United States to conquer a greater share of the world wheat trade. Our export subsidies are secondary to policy determinations with respect to the volume of U.S. wheat exports. Our export subsidies would be resented by foreign countries only if they are too high relative to the domestic price support, irrespective of whether the level of support is 60, 75, or 100 percent of parity.

In the digest of the comments, it should be apparent that the price support and production policies embodied in the Wheat Marketing Act of 1960 are fully consistent with the criteria of soundness laid down by the President as a basis for approving a solution of the wheat problems which the Congress may develop for his consideration.

ANALYSIS OF FARM BUREAU CRITICISM OF WHEAT MARKETING ACT S. 3159, PREPARED BY NATIONAL ASSOCIATION OF WHEAT GROWERS

1. The Farm Bureau states that the Wheat Marketing Act would "seriously jeopardize income opportunities of traditional wheatgrowers," by reducing the quantity of wheat sold for both domestic food and export. The Bureau estimates that only 21,955,907 acres will be needed to produce primary-use wheat. They arrive at this figure by assuming that the primary use for wheat would be 485 million bushels domestic food consumption, and exports would be 136 million. Then, from the sum of these two amounts they deduct 150 million bushels to come from CCC stocks, leaving 472 million bushels for the producers' share. This bushel figure divided by 21.5, the 1954–58 average yield, equals 21,955,907 acres.

The facts are:

Since domestic consumption has been constant, has in fact turned upward because of population increase and some increase in per capita consumption, and for 1961 will be 500 million bushels; and

Since total exports should hold present levels, and might well increase because of Public Law 480, at least as long as CCC holds excessive stocks, and for 1961 will likely be at least 440 million bushels; and

Since, when CCC stocks are reduced to a reasonable level, then the 150 million bushels allotted to CCC under the Wheat Marketing Act would not be deducted from the farmers' share of primary-use wheat;

Then it is reasonable to assume that the present estimate of 800 million bushels to be allocated to farmers is correct for the period while CCC has excessive stocks. Even using the Bureau's average yield of 21.5 this would require over 37 million acres of production. A maximum of 44 million acres would be required in later years when CCC stocks are reduced to a reasonable level.

This maximum derived by assuming domestic consumption to continue at 500 million, exports at 450 million, and CCC stocks to be liquidated to a reasonable level, thus giving producers this extra 150 million bushels. If exports or domestic consumption should increase, more production would be required. Further an additional 3 million acres is required for the production of seed.

2. The Farm Bureau states that "export subsidies would have to be increased 60 cents per bushel." True, export subsidies would need to be continued and paid, generally in cash. The Farm Bureau assumes all farm sales of primary use wheat at 100 percent of parity and arrives at an increased subsidy cost of 60 cents per bushel.

A more realistic assumption would be for farm prices of primary use wheat to average 90 percent of parity, or about 212 cents at farm level. This would increase the subsidy 37 cents per bushel instead of 60 cents, and, 440 million

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bushels at 37 cents equals 162.8 millions. A substantial part (about one-third) of these increased subsidy costs would be offset by the higher sales prices realized from the disposal of CCC stocks into the primary market. In addition, in order to comply under the Wheat Marketing Act, farmers would be required to take 10 percent of their base acreage out of production without pay. This would lessen the cost of the 60-million-acre soil bank proposed by the Farm Bureau, by $117 million.

Further, the overall savings, comparing the costs of the present program to the operation of the Wheat Marketing Act, will show an annual savings to the Government of $778,629,000, and at the same time reduce CCC stocks from the 1,400 million bushels at present, to 870 million bushels in 5 years.

3. The Farm Bureau states that the Wheat Marketing Act would "subsidize wheatgrowers in competition with feed grain growers." This is not true. In the first place, practically all wheatgrowers are also feed grain growers; and most feed grain growers grow wheat; so the point is not of particular consequence, but the fact is the Wheat Marketing Act will lessen the pressure on feed grain growers.

In order to comply, under the act, wheatgrowers must remove 10 percent of their base from production without pay and agree to remove an additional 10 percent with pay if funds for a land retirement program are available. This provision, assuming 90 percent compliance under the act, not only would stop the flow of wheat to CCC but also would remove 5,760,000 acres from the production of feed grains. These acres would normally produce 4,608,000 tons of feed grains and, during the period that CCC is required to accumulate excess production of feed grains under the present program, it means there would be 4,608,000 tons (164 million bushels corn equivalent) less for CCC to take over, and would result in an annual savings of $184 million. If the growers of other surplus crops would put forth the same effort and reduce their overall plantings by 20 percent, it would go a long way toward solving our total surplus problem.

4. The Farm Bureau states the Wheat Marketing Act "seeks to legislatively allocate markets for primary-use wheat irrespective of wheat quality, efficiency of production, or market demand;" and also states "it would require an incredibly complicated and rigidly controlled primary use wheat marketing system." Such statements would not be made if there was a complete understanding of how the program would work.

The facts are: Each farmer would be issued marketing certificates for his share of the national quota. These certificates would permit him to sell into the market for primary use a limited number of bushels. The certificates would not be transferable and would be valueless except as a privilege to sell wheat. He could sell all the wheat he produced wherever he chooses but only a limited amount would be covered by certificates; these certificates would be released to the buyer at the time of sale. The local elevator could buy all the wheat desired from the producer, but could move forward for primary use only an amount equal to his accumulated producer certificates. At this point the wheat of any producer would lose its particular identity and, since the better quality wheat in that territory would be more valuable, it would be moved forward to mills or exporters. The farmers' certificates would be retained by the local buyer. This buyer's own certification that he had the producers' certificates on hand would be sufficient evidence for a mill to process or an exporter to export.

If the wheat should move through a terminal elevator, the process would be repeated. That is, the terminal operator could certify on to the exporter or processor an amount of certified wheat equal to his accumulation of certifications from country elevators, and this terminal operator's certification would be sufficient evidence for the processor or exporter to use the primary-use wheat. Not being tied to any specific wheat, only the best quality of wheat from terminal assembly points would find its way into primary-use channels.

No police control would be necessary and administrative costs would be low. At the farm level it would be accomplished by simply converting the acreage figure, now on file in all county offices, to a bushel figure and issuing this bushel figure to the producer instead of an acreage allotment. Since there would be no acreage control, there would be no further check on the farmer.

The local buyer would be required to keep his records in such a manner as to clearly show that his certifications moving forward certified wheat were not in excess of his accumulation of producers' certificates; and processors and ex-

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porters would keep their records in such a manner to show that they had not processed nor exported wheat in excess of the amount certified to them as being supported by producer certificates.

Since there are relatively few exporters and processors and, compared to producers, relatively few country elevators, the process of checking compliance would be relatively simple.

5. The Bureau states that the Wheat Marketing Act would "threaten our relations with friendly nations" because we would raise our export subsidy 60 cents per bushel. The fact is, the amount of subsidy we pay has no effect on foreign relations. Foreign countries are materially interested in the price we offer our wheat into foreign markets.

If we should follow the Bureau plan of all-out production with wheat prices at less than 90 cents per bushel, and/or offer it on world markets at this price, we then would threaten relations with foreign countries. Furthermore, since the minimum price under the wheat agreement is $1.50 per bushel at the head of the Great Lakes, with domestic wheat prices considerably less than this, it would provide a windfall for exporters who would be able to accumulate wheat at this lesser price and importing nations would be required to purchase such wheat at $1.50.

STATEMENTS OF HON. MARVIN L. McLAIN, ASSISTANT SECRETARY OF AGRICULTURE; AND MARTIN SORKIN, ASSISTANT TO THE SECRETARY OF AGRICULTURE

The CHAIRMAN. Will you identify yourself for the record, please?

Mr. McLAIN. My name is Marvin L. McLain, Assistant Secretary, Department of Agriculture, and I have Mr. Sorkin here and a couple more counsel.

I have a prepared statement here. It would take me about 15 minutes to read it. I have analyzed the bills, as far as the Department is concerned, that are actively before the committee. I think it would go more quickly if I read the statement, but I will do what you wish.

The CHAIRMAN. You don't mind interruptions?

Mr. McLAIN. No, sir.

The CHAIRMAN. Proceed.

Mr. McLAIN. I am here today to give the Department's views on several proposed bills affecting the wheat program.

I should like to compliment the chairman of this committee for his conscientious efforts to come forward with a proposal to meet the crisis in wheat. It is essential that this problem be resolved at this session of the Congress. Failure to act constructively could result in irreparable harm to the entire farm price support program. We must not allow this happen.

Before giving you our reaction to this wheat proposal, I first should like to review briefly what this administration has done to help wheat producers. Then I should like to review the defects in the current wheat program which need to be changed to place the program on a sound basis. Then I will proceed to a discussion of the several wheat bills, along with our recommendations.

While we have taken many actions to assist wheat producers, we recognize that there are still many unsolved problems. Here are some of the things we have done:

We recommended and the Congress enacted, in 1954, the Agricultural Trade Development and Assistance Act, Public Law 480, to dispose of surpluses. Under this law, since 1955 we have programed the export movement of more than 1.4 billion bushels of wheat.

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Every bushel of wheat exported is subsidized. The average per bushel export subsidy has been as follows:

	Cents
1954–55	75
1955–56	72.5
1956–57	79
1957–58	74
1958–59	56.6
1959–60	[1] 55–60

[1] Estimated.

In 1956–57 we exported 549 million bushels of wheat, the highest level ever in history. This is also the largest quantity ever exported by any country in any 1 year. In 1958–59 exports reached 443 million bushels. For 1959–60, the curent fiscal year, it is now expected that exports will be about 475 to 480 million bushels.

We put into effect a wheat payment-in-kind export program——

Senator SCHOEPPEL. Might I ask a question at this point? Are you aware of what happened and what has been reported in the press about a certain European bloc? Are you taking that into consideration?

Mr. MCLAIN. Yes, sir. This estimate here, Senator Schoeppel, is until the end of this fiscal year—July1.

Senator SCHOEPPEL. I see.

Mr. MCLAIN. We put into effect a wheat payment-in-kind program which utilizes the facilities of the private trade and has had the effect of boosting the domestic price of wheat.

In order to discourage production of undesirable types of wheat, we have provided for a 20-cent per bushel quality discount, and if these varieties mentioned by Mr. Bruns fall into this category, they will certainly receive the discount.

Senator YOUNG of North Dakota. May I ask a question? Haven't you made some types of wheat ineligible for price support entirely?

Mr. MCLAIN. When we get off quality wheats, they are not eligible at all. There was a suggestion, Senator Young, at the time we applied this 20-cent discount that we ought to bar price support altogether, but under the statute we couldn't do that. If the quality is all right, by grade, I mean, we were forced to put that discount on it.

Senator YOUNG of North Dakota. If the Department hadn't opposed my amendment to a bill on the Senate floor you wouldn't have had that problem. This amendment lost by one vote. Under that amendment the Department could have made ineligible certain types of wheat which are poor quality.

Senator JOHNSTON. I think the Department should look into this type of wheat that we have been talking about this morning. We can certainly run into some trouble with it in the future. We did on tobacco; we ran into the same situation and it cost us a great deal of money. So the wheatgrowers better look into this right away.

Mr. MCLAIN. Senator Johnston, we put the 20-cent discount on wheat and the tobacco people took that cue and did the same thing with tobacco, with our cooperation. Now to bar it would have to be by statute.

Senator YOUNG of North Dakota. That is what I attempted to do. I don't know why the Farm Bureau and Department opposed it. For example, this 100-bushel-type wheat that may be released in

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Oregon, if it is a poor quality, you certainly wouldn't want to support the price on it.

The CHAIRMAN. Could you increase the discount?

Mr. McLAIN. Yes, sir. We have a lot of control over the discount.

Major efforts in our wheat research program involve (1) a search for sources of breeding stocks resistant to virulent races of stem rust and other destructive diseases, (2) the development of commercially acceptable varieties resistant to sawfly and other hazards, (3) improvement in quality of all classes of wheat to better meet demands of the trade, and (4) utilization and market development.

In 1958 we recommended, and the Congress passed, Public Law 85–203, under which wheat producers failing to comply with acreage allotments would suffer some loss of wheat allotment in subsequent years. This greater penalty on noncompliance wheat resulted in a reduction of over 1 million acres of wheat in 1959 on the larger wheat farms.

We now are facing a crisis in wheat, which, of course, the committee well understands. This is the problem:

1. We now expect wheat carryover stocks to reach an alltime high of about 1.3 billion bushels as of July 1, 1960. If we did not produce another bushel in 1960, we would still have enough wheat to meet all current domestic needs and probable exports and still have a carryover of about 250 million bushels. However, as you all know, a relatively large crop is already forecast for 1960 and prospects are that we will add substantially to our stocks from the 1960 crop, bringing the total Federal investment to about $3.5 billion.

The reasons for this buildup are these:

(*a*) Yields: A fantastic increase has occurred in yield per acre due to exceptionally good weather and improved cultural practices and new varieties. The record yield of 27 bushels per acre in 1958 was up about one-fourth. The average for the last 4 years of 22.6 bushels is well above the average yield for any similar period in history.

Senator YOUNG of North Dakota. You have that same increase in yield of corn.

Mr. McLAIN. We have it all over. This is not peculiar to wheat. That is correct.

(*b*) Too large a minimum national acreage allotment: 20 years ago when the Agricultural Adjustment Act of 1938, as amended, set a minimum national acreage allotment of 55 million acres, yields were less than 13 bushels per planted acre. In the 1950's average yields have been nearly 18 bushels. A normal wheat crop on this minimum will produce 1.2 billion bushels, or about 100 to 150 million bushels more than total requirements at current support levels.

(*c*) Compliance on a harvested basis: The law was amended to determine compliance with allotments and quotas on the basis of the harvested rather than a planted basis. Under this provision, farmers can overplant, keep the best acreage and destroy the poorest. This tends to increase the yield per harvested acre.

(*d*) Fifteen-acre exemption: In 1941 Congress exempted farms producing 15 acres or less from marketing quotas. The number of farms coming under this exemption has expanded, year by year, resulting in a cutback in acreage allotments allowed in the areas not using this provision and an increase in carryover of wheat. In 1959

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the farms exceeding their allotments under the 15-acre exemption planted two and one-half times their allotments—4.6 million acres more than their allotments.

This little table shows what happened since 1956, and if you will step over to the 1959 column, you will see now that we have 689,636 farms that produce 15 acres or less and those more than produce 15 acres or more.

The CHAIRMAN. How would the 150 million maximum that comes from Commodity Credit under the bill we discussed a moment ago be affected by these small farms?

Mr. McLAIN. I have a complete analysis of that.

The CHAIRMAN. Oh, you have that. All right, proceed.

Mr. McLAIN. Now for a brief analysis of some of the bill you have before you:

S. 2759, introduced by Senator Ellender: The major features of this bill which would become effective with respect to 1961 and subsequent crops are as follows:

1. Provide price support at 80 percent of parity for the 1961 crop, 75 percent for the 1962 crop, 70 percent for the 1963 crop, and 65 percent for the 1964 and subsequent crops.

2. Reduce each farm wheat acreage allotment by 20 percent for the 1961 crop and 25 percent for the 1962 and subsequent crops.

3. It deters the diversion of such acreage reduction to other price-supported crops in 1961 by conditioning wheat price support on reducing the total acreage of price-supported crops on the farm below the 1958–59 average by an acreage equal to the reduction in the wheat allotment.

4. It provides a payment-in-kind in 1961 on the acreage diverted equal in value to one-third of the 3-year (1958–60) average yield per harvested acre on the farm.

5. It imposes penalties on the actual yield of any excess acres, or double the normal yield if the actual yield is not established by the producer.

6. It increases the marketing penalty on excess wheat to 65 percent of parity from the present 45 percent.

7. It reduces the 15-acre exemption to 12 acres and restricts it to farms which seeded wheat for harvest in 1958, 1959, or 1960 and to producers who produce wheat on only one farm.

8. It removes the 30-acre limitation on the feed wheat exemption.

9. It repeals the authority for making price support available to noncooperators for any basic agricultural commodity.

If it is decided by the Congress to approach a solution to the wheat problem by means of more stringent controls over wheat production this bill makes a big step in that direction. If this is the direction the Congress insists on going, we would not be opposed to this bill if the following amendments were made. Our changes are primarily related to levels of price supports and to making controls more effective.

Our suggested changes are as follows:

1. Provide price supports at 75 percent of parity for the 1961 crop, 70 percent of parity for the 1962 crop, and 65 percent of parity for the 1963 and subsequent crops.

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2. Reduce each farm wheat acreage allotment by 25 percent for 1961 and subsequent years.

3. Prevent a diversion to other price supported crops by providing in 1961, 1962 and 1963:

(*a*) Conditioning price support for wheat on reducing below the soil bank base by an amount equal to the reduction in the wheat allotment.

(*b*) Making a payment-in-kind during this 3-year period on the additional acreage diverted equal to one-third of the 1958–60 average yield per acre and placing this acreage in the conservation reserve for 3 years.

4. Eliminate the 15-acre and 200-bushel exemptions.

With these amendments we feel that this would be a control program and that inventories would be reduced.

The next is the committee print.

The CHAIRMAN. Yes; we have an analysis of it.

Senator YOUNG of North Dakota. Mr. Chairman, I want to make it plain this wasn't a bill I intended to introduce or sponsor; it was just to give some approaches to the committee for consideration.

The CHAIRMAN. Right.

Mr. MCLAIN. I have labeled it "committee print," Senator Young, and have not labeled it as your bill. So I have been accurate on it.

Now it is much the same as yours, Senator Ellender, and it adds some other features to it, and if we could put them in the record, I think this would save some time, rather than read them, or do you want them read?

The CHAIRMAN. Well, what about the suggestions made, additions made to the bill?

Mr. MCLAIN. Well, of course, the main difference here is he does not escalate the support rate down; it is set at $1.80 and leaves it there for 3 years and then we go back to the old program. If it would better clear the record for the other Senators who have not read it, it may be better just to run through it.

The CHAIRMAN. All right; proceed.

Mr. MCLAIN. This bill, as we have it, relates to the 1961, 1962, and 1963 crops only.

It provides that for those 3 years price support to cooperators shall be $1.80 per bushel if marketing quotas have not been disapproved. If disapproved, price support shall be 50 percent of parity to cooperators.

The CHAIRMAN. What percent of parity would that be?

Mr. MCLAIN. About 76 current parity, and in our judgment it would be about 75 percent of parity at the time this would become effective.

The CHAIRMAN. Would he pay in kind the same as—a third for the 3 years?

Mr. MCLAIN. Well, I think if I run through this, I can tell you what is in the bill.

The acreage allotment on each farm shall be reduced by 20 percent.

It deters diversion to other crops by conditioning wheat price support to a reduction in the total acreage of price-supported crops on the farm below the 1958–59 average acreage by an acreage equal to not less than the 20-percent cut in the wheat allotment.

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It provides payment in kind on the acreage so diverted equal in value to one-third of the 3-year average 1958–60 yield per harvested acre on the farm. Such wheat may be marketed but is not eligible for price support.

It imposes penalties on the actual yield of any excess acres, or double the normal yield if the actual yield is not established by the producer.

It increases the marketing penalty on excess wheat to 65 percent of parity from the present 45 percent.

It reduces the 15-acre exemption to 12 acres and restricts it to farms which seeded wheat for harvest in 1958, 1959, or 1960 and to producers who produce wheat on only one farm. It eliminates the 200-bushel exemption.

It removes the 30-acre limitation on the feed wheat exemption.

Title II provides that if the Secretary determines that the production control program provided in title I will not bring about a reduction in supplies in line with demand, the Secretary may proclaim a national wheat marketing quota of 800 million bushels.

In addition title II provides that:

(*a*) The quota shall be apportioned to States, counties, and farms.

(*b*) A producer would be subject to a penalty on any wheat harvested on the farm in excess of the farm marketing quota. The penalty rate would be 65 percent of May 1 parity.

(*c*) No marketing penalty is due if the normal production of the acreage seeded to wheat is less than 200 bushels, but this exemption shall not be applicable if (1) no wheat was produced on the farm in 1958, 1959, or 1960, or (2) any producer who shares in the wheat crop on the farm also shares in the wheat produced on any other farm.

(*d*) A feed wheat exemption of 1,000 bushels is provided.

(*e*) If more than one-third of the producers voting in the marketing quota referendum oppose them, the Secretary shall suspend them.

(*f*) CCC is permitted to sell for unrestricted use, at 5 percent above the current support price, without carrying charges, an amount of wheat equal to the quantity above 800 million bushels which will be needed for domestic use and exports.

(*g*) Title II would establish a national marketing quota for any marketing year of 800 million bushels. Under procedures set out in the bill this quota would be allocated to the wheat farms in the United States in terms of bushels. Section 355(a) would make the producer liable for a penalty at the rate per bushel of 65 percent of parity for all wheat harvested on the farm in excess of the farm marketing quota. Section 335(b) would require the producer to pay the penalty on the excess within the time fixed by regulation unless the excess was stored or delivered to the Secretary. There is no general exemption for wheat fed. However, section 335(i) sets up a feed-wheat exemption similar to the present law, except that the acreage required to produce 1,000 bushels on the basis of normal yield is substituted for 30 acres.

Under the present law the excess may be initially determined from the acres of wheat on the farm which are actually measured and normal yield which is established under the formula in the act. Under title II of this proposal, in order to determine the amount of penalty or the amount to be stored or delivered to the Secretary, if any, or the amount subject to reallocation under section 338, it would be nec-

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essary to determine the actual production of all wheat harvested on each wheat farm. This could well present a formidable administrative task.

If it is decided by the Congress to approach a solution to the wheat problem by means of more stringent controls over wheat production, this bill makes a big step in that direction. If this is the direction the Congress wishes to go, we would not be opposed to the bill if the following amendments were made: Our changes are primarily related to levels of price supports and to making controls more effective, and are as follows:

1. Provide price supports at $1.80 per bushel for the 1961 crop, 70 percent of parity for the 1962 crop, and 65 percent of parity for the 1963 and subsequent crops.

The CHAIRMAN. That is similar to the bill I introduced.

Mr. McLAIN. That is right, and would leave it as he says for the first year.

2. Reduce the national minimum acreage allotment by 25 percent for 1961 and subsequent years.

And then the other changes here we suggest are in line with what we suggest on your bill, so I won't read them.

Now S. 3159——

Senator JOHNSTON. Let me ask a question. This 1,000 bushels, where you state a thousand bushels for——

Mr. McLAIN. One will take the place of the other.

Senator JOHNSTON. Will not that increase the acreage and subsequently in a great many instances, the amount of wheat produced?

Mr. McLAIN. Of course the 30 acres was put in because it permitted those who wanted to raise wheat for feed the right to do it. The thousand bushel thing does the same thing, but in a different way. I don't think this will make a great deal of difference. For those who want to raise wheat for feed, it permits them to do it, which I think the Congress has recognized. As long as they don't have a like program in addition to that, we feel it would be all right.

Senator JOHNSTON. These people who do not raise the wheat buy it someplace. I do not think you should be increasing the number of bushels that can be produced.

Mr. McLAIN. That has been raised many times. Did you want to speak to this, Mr. Young? We have a 30-acre exemption, of course.

Senator YOUNG of North Dakota. This was just an attempt to roughly draft a bill based on the bushel allotment, rather than acre allotment, and it was hurriedly done.

Mr. McLAIN. A brief description of Senate bill 3159, or Senator Carlson's bill, as we call it, as as follows:

The proposed Wheat Marketing Act of 1960 (S. 3159) eliminates acreage allotments for wheat in 1961. Beginning in that year, all wheat produced is placed in two use categories—primary and secondary. Wheat for primary uses includes wheat for human food in the United States and by U.S. Armed Forces overseas, wheat processed into food products for export and all unprocessed wheat exported (apparently including U.S. Government donations and feed wheat). Secondary use wheat includes all other wheat whether marketed or not, including wheat used for feed, seed, and industrial use, plus overquota wheat still stored on farms.

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The CHAIRMAN. At this point, Mr. McLain, is any export wheat excluded under this bill? Wouldn't it have to all be included, whether by donation or——

Mr. MCLAIN. This is our understanding; yes.

Under this legislation the Secretary would be required to estimate each year the amount of wheat needed for primary uses. Marketing certificates would be issued to wheat producers in an amount equal to the estimated primary use requirements, minus 150 million bushels. These 150 million bushels could be sold by CCC at not less than the parity price for wheat. However, as will be pointed out later, these 150 million bushels are reduced by other actions required by this legislation.

The individual farm certificates for primary use wheat will be apportioned on the basis of past history and normal yields. To be eligible to receive certificates for the sale of primary use wheat, producers would be required to place 10 percent of their farm wheat base acreage into land retirement soil conserving use. No payment will be made to producers for this initial 10 percent. An additional 10 percent of the wheat base acres also must be placed in the conservation reserve or other land retirement program to the extent that funds are available for such land retirement.

A special provision is made for farmers having a base acreage of less than 15 acres. If a producer is dissatisfied with his base acreage, he may apply to the Secretary who is required to establish an adjusted base acreage for the farm of not to exceed the smaller of 15 acres or the average acreage seeded to wheat for harvest as grain during a previous period, times the ratio of the total base acreage of the county for 1960 to the total acreage allotment of such county. State and county shares of the national primary use requirement shall be increased by the amounts necessary to reflect these increases. CCC is required to purchase an amount not to exceed such increased shares if at any time during the marketing year prices received by farmers for primary use wheat drop below 90 percent of parity.

In addition, CCC is required to purchase any wheat which the producer certifies was produced in prior years and could have been sold without the payment of penalty or any wheat which was in channels of trade on the effective date of the act. This means that there will be a tremendous holding movement by farmers and speculators with respect to 1960 and earlier crops of wheat in order to obtain substantially above the current support levels.

Only the price received by farmers for the primary use wheat will be considered in computing parity for wheat in the future. This will have the same escalation effect on the parity level as was so clearly visible in the case of tobacco in recent years, which the Congress has changed, as you know.

This bill is unacceptable to the Department of Agriculture for the following reasons.

In view of the fact that the objective of this legislation would be to reach a primary market price of about 60 cents above current levels, it is obvious that the export subsidy would have to be increased by a comparable amount above current levels. This would make the export subsidy in the neighborhood of $1.15 per bushel.

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Those farmers who have been eligible for the 15-acre exemption had an average acreage allotment in 1959 of 4.4 acres. This would mean that their base acreage would approximate 6.5 acres per farm. They actually planted an average of 11 acres per farm. This would mean that after the adjustment for the ratio as provided in the law, these farms would have a base acreage of approximately 15 acres per farm, or an increase of approximately 8.5 acres per farm. If this average increase is multiplied by approximately 0.6 to adjust down to a primary market share, then the average increase per farm would be approximately 5 acres. Since there are 690,000 farms this would mean that the Commodity Credit Corporation would have to purchase the average production from 3.5 million acres, or about 90 million bushels. This offsets to a very large extent the 150 million bushels which the CCC is authorized to sell at parity under this legislation.

The CHAIRMAN. Mr. McLain, is there any doubt in your mind as to the figure 90 million?

Mr. McLAIN. Let me say this: I think no one would know what would happen here until we tried it because you don't know how farmers will react. It is hard for me to conceive of a farmer being allowed to get a parity price for two-thirds of his crop, that he wouldn't ask for that right even if he only had 4 acres or whatever he had. That is my feeling and we think that there would be almost maximum acceptance of this provision.

The CHAIRMAN. And it would have to be adjusted out of the 150 million bushels.

Mr. McLAIN. This is the point we are making. Now whether it is 90, whether it is 82, it would have to come out of this 150.

Mr. SORKIN. Mr. Chairman, on this point——

The CHAIRMAN. Will you identify yourself for the record?

Mr. SORKIN. Martin Sorkin, assistant to the Secretary.

When this item was computed by the Grain Division, CSS, it actually worked out to about 95 million. We cut it back to 90. In addition to that, these estimates were based on the 1959 situation. In 1960 it is estimated that there will be more farmers taking advantage of the 15-acre provision, so when you add those additional numbers in, it tends to make this figure a more conservative figure, and I think it is a conservative figure.

Mr. McLAIN. As indicated earlier, passage of this legislation would result in a tremendous holding movement by farmers and speculators with respect to 1960 and earlier crops of wheat. The fact that these quantities will be withheld from the markets for sales at substantially higher prices to the Government would also mean that those farmers, who in the past have overplanted their allotments and now hold substantial stocks of wheat, would be in a position to market the penalty wheat at substantially higher prices. This would constitute a windfall to past noncooperators.

The CHAIRMAN. I thought under the discussion we had a moment ago that it would not include penalty wheat.

Mr. McLAIN. Well, this would sell in the market, Senator Ellender, and when it goes into the market, why the market should be up near parity, you see, under this bill.

The CHAIRMAN. But I mean it could be disposed of; is that it?

Mr. McLAIN. That is right.

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It is obvious that the quantity produced in excess of the primary needs would be sold off from farms where produced into feed channels. If we assume a production of approximately 400 million bushels of secondary-use wheat, this would mean that an equivalent amount of feed grains, mandatorily supported, would probably flow into CCC inventory. This would simply be a further extension of the effects of past control programs under which producers of some basic commodities diverted acreages into feed grains. Between 1953 and 1959 there was an increase of feed-grain acreage of 11 million acres.

Passage of this legislation would result in the impression abroad that the United States is dedicated to higher export subsidies as a permanent means of resolving agricultural problems. This will create problems in current negotiations, in our judgment, for trade liberalization.

It undoubtedly would result in higher costs of flour and other wheat products to the American consumers.

The problems of policing this type of legislation are exceptionally great. There will be required, in our judgment, a great many more people than we already have and we already have too many.

The CHAIRMAN. I noted you say there will be required a new army of bureaucrats——

Mr. McLAIN. That is what I said, and if you want it left in there——

The CHAIRMAN. I am glad you said "bureaucrats" because we have been accusing you of that for a long time.

Mr. McLAIN. It is a great privilege, really.

The CHAIRMAN. Now I want to comment. You were here from the beginning and after a cursory examination of the bill, I made the statement that I thought that if this bill were put into effect it would cost much more than the present program. Am I right or wrong in my assumption?

Mr. McLAIN. Well, I would say this: I saw the analysis of the experts that worked on this and they are all good men, may I say. Naturally if you are trying to sell a bill of goods, you try to have the bright side up, and I think that they are a little conservative in their estimate of their costs. That is about all I would like to say about it.

The CHAIRMAN. I see. I presume that if all would work as they predict, those figures probably would be about correct.

Mr. McLAIN. If you are trying to sell a bill of goods, you always bring the bright side up, and I would say, frankly, I don't think there is any man alive that can tell you actually what the Carlson bill would cost because until it were put into operation you wouldn't know.

On February 9, 1960, the President forwarded to Congress a special message on agriculture. In this message, the President said:

> I have repeatedly expressed my preference for programs that will ultimately free the farmer rather than subject him to increasing governmental restraints * * *. I will approve any constructive solution that the Congress wishes to develop, by "constructive" meaning this:
>
> First, that price support levels be realistically related to whatever policy the Congress chooses in respect to production control, it being recognized that the higher the support the more regimented must be the farmer.
>
> Second, that price support levels not be so high as to stimulate still more excessive production, reduce domestic markets, and increase the subsidies required to hold world outlets.

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Third, for reasons long expressed by the administration, that we avoid direct subsidy payment programs for crops in surplus; likewise we must avoid programs which would invite harmful countermeasures by our friends abroad, or which, while seeking to assist one group of farmers, would badly hurt other farmers.

Within these three guidelines, I am constantly ready to approve any one or a combination of constructive proposals * * *.

* * * If the Congress should so act, I urge an orderly expansion of the conservation reserve program up to 60 million acres, with authority granted the Secretary of Agriculture to direct the major expansion of this program to areas of greatest need—

which would be, of course, the wheat area.

In accordance with the President's recommended preference, we are proposing the following wheat program:

1. Conservation reserve: Extend the conservation reserve for 3 years with authorization to place up to 60 million acres in the program. Provide authorization for the use of corn and other feed grains and wheat as payment-in-kind. Provide authorization for giving special consideration to acres where it is desirable for soil conservation and production adjustment purposes to discourage production of wheat and other surplus crops.

2. Wheat.

(*a*) Eliminate acreage allotments and marketing quotas for wheat beginning with the 1961 crop.

(*b*) Establish price support levels for each of the crops of wheat harvested in 1961, 1962, and 1963, equal to 75 percent of the average price received for wheat by farmers during the 3 preceding calendar years.

The CHAIRMAN. That sounds like the Farm Bureau there, to some extent.

Mr. MCLAIN. No; I have an analysis of theirs after this.

(*c*) Establish a level of price support for the 1964 crop of wheat and thereafter at 90 percent of the average price received by farmers during the 3 preceding calendar years.

Mr. JOHNSTON. So I see you are getting back to 90 percent, where you started. It says established for——

Mr. MCLAIN. That is of the 3-year average, Senator.

Senator JOHNSON. And they ask for 90 percent of the average price.

The CHAIRMAN. That is right. That is not parity.

Mr. MCLAIN. (d) Establish a minimum CCC resale price for wheat beginning July 1, 1961, based upon 100 percent of the 3-year average price for wheat used in establishing the price support level in effect.

This combined approach has as its objective that of achieving a balance between resource use and markets by aiding farmers to shift resources not of agriculture and lessening the intensity with which some others are used. Transferring some land from crops to growing grass is an illustration. This undeniably involves difficult problems, but it is the route which holds the best prospects over the long run.

Such a program must be highly selective if adjustments are to be made where they should be made—in the commodities and classes of commodities in surplus, in the right areas and on the right farms. They should be voluntary responses to inducements provided from public funds.

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On April 5, S. 3336 was introduced. This bill is similar in many respects to the administration's recommended preference.

1. Acreage allotments will be eliminated beginning with the 1961 crop.

2. Price supports for wheat would be based on the support level for corn with reasonable adjustments for wheat and other factors. However, the price support for wheat for the 1961 crop would not be less than 120 percent of the estimated level of price support for the 1961 corn crop.

3. Sales of CCC stocks of wheat would be limited as follows:

(*a*) No net sales of wheat would be made at less than 150 percent of the then current support prices for wheat plus reasonable carrying charges.

(*b*) Sales of wheat from CCC stocks under Public Law 480 could not exceed the average level of such sales in the marketing years 1957, 1958, and 1959.

(*c*) CCC stocks could be used for donations to friendly nations.

4. The soil bank would be extended for 3 years with a 60-million acre conservation reserve objective.

While we prefer our own proposal, this legislation fulfills the criteria enunciated by the President and will go far toward solving the problems of wheat.

The CHAIRMAN. Just a moment. This bill of Senator Hickenlooper and others differs only from the one you propose in the way of——

Mr. McLAIN. In the way of price support and some minor changes, but not very much different, and the actual dollars and cents in price support wouldn't be very much different.

In conclusion, we would recommend a program providing greater freedom. But on the other hand, if Congress decides to provide for a control program for wheat, it is absolutely essential that the many loopholes be closed and that effective actions be taken to reduce production until surpluses are eliminated.

Continuing the present program will mean a further buildup in carryover stocks. This could mean a breakdown of all price support programs. Congress has proved that it can act swiftly. There is time for action in this session. Congress has within its power to enact a sound, realistic wheat program. By doing so, wheat producers may be saved from eventual disaster—disaster which could put in jeopardy all farm price support programs. None of us wants this to happen. I know the Congress does not want this to happen.

We are deeply appreciative of the difficult legislative decisions with which this committee is faced. We are anxious to be of assistance.

We will supply promptly any further factual data available and the best judgments that can be had from the Department on any proposals.

As the President has said to Congress, "This situation calls for prompt and forthright action."

The draft of the Department's recommended bill is attached and we would like to have it made a part of the record.

The CHAIRMAN. It will be made a part of the record.

(The bill is as follows:)

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A BILL To provide a more effective program for wheat, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Title I of the Agricultural Act of 1949, as amended, is further amended by adding at the end thereof the following:

"SEC. 106. Notwithstanding the provisions of section 101 of this Act, price support for wheat beginning with the 1961 crop shall be as follows:

"(a) The level of price support to producers for the 1961 crop of wheat, the 1962 crop of wheat, and the 1963 crop of wheat, respectively, shall be 75 per centum of the average price received for wheat by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins.

"(b) The level of price support to producers for the 1964 crop of wheat and each subsequent crop of wheat shall be 90 per centum of the average price received for wheat by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins."

The Secretary shall determine and announce the level of price support for each crop of wheat in advance of the planting season on the basis of the statistics and other information available at that time, and such price support level shall be final.

SEC. 2. The Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new section after section 338:

"SEC. 339. Notwithstanding any other provision of law, acreage allotments and marketing quotas shall not be established for the 1961 and subsequent crops of wheat."

SEC. 3. Section 407 of the Agricultural Act of 1949, as amended, is further amended by changing the period at the end of the third sentence thereof to a colon and adding the following:

"*Provided further,* That, beginning with the marketing year for the 1961 crop of wheat, for the purpose of determining the minimum sales price for wheat, the current price support level therefor shall be deemed to be equal to 100 per centum of the three-year average price for wheat used in establishing the current price support level for wheat."

SEC. 4. Section 108(b) of the Soil Bank Act is amended by adding at the end thereof the following:

"Effective beginning with 1961, the Secretary shall give special consideration to those States and regions where it is desirable for soil conservation or production adjustment purposes to discourage the production of wheat and other surplus crops as determined by the Secretary."

SEC. 5. Section 109 of the Soil Bank Act is amended:

(1) by amending subsection (a) to read as follows:

"(a) The Secretary is authorized to formulate and announce programs under this subtitle B and to enter into contracts thereunder with producers during the eight-year period 1956–1963 to be carried out during the period ending not later than December 31, 1972, except that contracts for the establishment of tree cover may continue until December 31, 1977."

(2) by amending subsection (c) to read as follows:

"In carrying out the Conservation Reserve Program, the Secretary shall not at any time enter into contracts which together with contracts then in effect cover more than 60 million acres."

SEC. 6. Effective beginning with contracts entered into after the date of this Act, Section 107(b)(2) of the Soil Bank Act is amended by adding at the end thereof the following:

"The Secretary is authorized to provide for payment of the annual payment through the issuance of certificates which the Commodity Credit Corporation shall redeem in wheat or feed grains in accordance with regulations prescribed by the Secretary."

SEC. 7. Section 211 of the Agricultural Act of 1956 is amended by striking out "three years" wherever it appears therein and substituting "six years".

The CHAIRMAN. Any questions?

Senator SCHOEPPEL. I would like to ask Mr. McLain if I would submit some questions that have come to me with reference to the present act whether I might get the answers to them within a few days because I may want to consider them.

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Mr. McLAIN. Yes, sir. If you will give them to me personally or send them down, we will get them just as quickly as we can, if they are within the facts we have at hand and don't have to go to the field for them. We will be glad to do that, Senator Schoeppel. Do you want to transmit them down to us?

Senator SCHOEPPEL. I want to recheck them. They just came in.

Mr. McLAIN. All right. Fine. You make them special to me and we will act on them right away.

The CHAIRMAN. Mr. McLain, whereas you haven't said the Department was against S. 3159, I would judge from your criticism of it that the Department wouldn't entertain this bill.

Mr. McLAIN. That is Senator Carlson's bills?

The CHAIRMAN. Yes.

Mr. McLAIN. I added that as I went through and it is in the testimony that I gave here.

The CHAIRMAN. That the Department is opposed to it?

Mr. McLAIN. About the proposal, I indicated that it was not acceptable to us.

The CHAIRMAN. Any further questions?

Senator SCHOEPPEL. Before we adjourn on this session here, I have a prepared statement from Gerald C. Stover, from Colby, Thomas County, Kans., and I understand that the committee is in receipt of the usual number of copies, say 50, and I would like to submit for him this prepared statement because he could not be here at this hearing.

The CHAIRMAN. Without objection, it will be placed in the record at this point.

(The statement is as follows:)

STATEMENT FILED BY GERALD C. STOVER, REPRESENTING THE THOMAS COUNTY WHEAT PRODUCERS, COLBY, KANS.

My name is Gerald C. Stover, my residence is Colby, Thomas County, Kans. I am an attorney and a farmer, and I represent the Thomas County Wheat Producers, Inc.

The Thomas County Wheat Producers, Inc., is a corporation organized not for profit, and came into being as a result of inequities in the Agricultural Adjustment Act of 1938, as amended, and the regulations under which it is administered.

INEQUITIES FROM NOT USING HISTORIES IN WHEAT FARM BASES

The wheat acreage allotments and wheat quotas for Thomas County and for other western Kansas counties have not been administered according to the law and the regulations in effect.

When allotments were established in 1953 for the crop year of 1954, the histories for the individual farms were utterly disregarded. In Thomas County a rule was established, without reducing the rule to writing, that the base acreage for the farms for the 1954 crop year should be 50 percent of cropland. On this basis, in determining the individual farm base, the county committee eliminated histories which were materially below, or materially above, 50 percent of cropland. In the elimination of historical years, for purposes of determining individual wheat farm bases, it was the practice of the County Committee of Thomas County to use reasons in the 1954 regulations without any evidence to support the reasons. In fact, the reasons used were generally contrary to fact.

With reference to elimination of histories for the crop year of 1952, the most commonly used reason by the Thomas County Committee was reason 3 of the 1954 Wheat Acreage Allotments Regulation, which was: "Abnormally high because of failure of crops other than wheat."

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The failure, as it affected farms in Thomas County, applied to the 1951 crop year. For the 1951 crop year, one of the better crops of corn, barley, oats, and sorghum grains were produced in Thomas County, due to abnormally high precipitation in 1951. The production in bushels of corn, oats, barley, and grain sorghums for the crop years 1949 through 1953 were as follows:

Year	Corn	Oats	Barley	Grain sorghums
1949	50,000	33,600	117,120	468,140
1950	45,600	10,000	25,060	350,430
1951	174,800	28,710	43,360	934,810
1952	72,400	18,100	41,280	131,060
1953	33,000	14,400	43,800	770,600

The crops I have just described are the principal crops, other than wheat, which are attempted to be grown in the area I represent, and the statistics furnished were supplied from a report made by J. E. Palleson, agricultural statistician, acting in charge, Topeka, Kans.

The fieldman, Niel Bishop, encouraged such action on the part of the county committees in the northwest Kansas district. He advised the county committees that the sum of the wheat farm bases in the various counties would make no difference in the wheat allotment made to the counties; it, of course, did for 1956 and subsequent years, because the diversion credit given to complying farms which seeded within the required acreage received a diversion credit up to the wheat farm base.

Attached to my statement as the last exhibit is a map of the State of Kansas which I have prepared and which shows the resulting inequities. Attached to my statement, as exhibit (1), is a copy of the summary of the wheat histories furnished me by the State ASC office for determining the Thomas County histories for the purpose of making allotments for the years 1954 through 1960. Near the bottom of exhibit (1) I have added the cropland acres serviced with allotment by the Thomas County ASC office, and these cropland acres were taken from data furnished by the Thomas County ASC office.

The histories used in computing the base acreage for Thomas County show a substantially higher acreage for crop years prior to 1954 than for 1954 and subsequent years. The major reason for the difference is the failure to use the true wheat farm histories in the wheat farm bases when allotments were established for 1954. For 1955 and subsequent years, the bases, although having been determined by different methods, have generally resulted in about the same base for each farm as was used in 1954. Attached to my statement, as exhibit (1)a is an analysis which I have made of the histories shown in exhibit (1). It also includes an analysis of the effect of Public Law 85-203 and Public Law 85-366 as it affects the 1958 history.

There was a time when, under the wheat acreage allotments regulations, action could have been taken by the county committee with the approval of the State committee to correct some of the inequities which existed as the result of not following the regulations for the 1954 crop year; but, at that time, the U.S. Department of Agriculture in Washington refused to concede that inequities were resulting from failure to follow the regulations, and permission to make suitable adjustments was denied the Thomas County committee by the Kansas State committee. I attached exhibit (2), exhibit (3), exhibit (4), exhibit (5), exhibit (6), exhibit (7), exhibit (8), exhibit (9), exhibit (10), and exhibit (11) in support of this statement.

The wheat listing sheets for Thomas County have been analyzed and studied by James B. Dyess, of Commodity Stabilization Service, and by other persons in the U.S. Department of Agriculture, and I am sure that the Department of Agriculture, when confronted with this question, will now concede that inequities have resulted not only to Thomas County but to other western Kansas counties for the reasons I have just stated.

The Secretary of Agriculture has spent more time and effort campaigning against the Agricultural Adjustment Act of 1938, as amended, than he has in trying to recommend changes which would take some of the inequities out of the law and its administration. There has been a concerted effort on the part of the U.S. Department of Agriculture to sustain the position taken by any county committee without regard to whether such position followed the law

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and regulations in effect at the time. This is currently happening in western Kansas counties where the county committees have been adjusting wheat histories for wheat farm bases on account of small differences in measurements of the same acreages of cropland.

With reference to the adjustments which need to be made for the inequities resulting in the initial administration of wheat acreage allotments and wheat quotas which commenced for the crop year 1954, it would be impractical to attempt to return the acreage to individual farms. The counties, however, should be permitted to petition for authority to increase their wheat histories so that the controlled years' histories are reflective of the actual histories plus credits allowed for years prior to 1954. This can be done by permitting counties to petition the Secretary of Agriculture.

TRANSFER OF FARMS IN AND OUT OF COUNTIES

Many inequities have resulted from the inadequacy of system and accounting when farms are transferred from one county to another. Referring to exhibit (1), attached to my statement, the cropland acreage for Thomas County increased from 523,816 acres in 1954 to 548,256 acres in 1955. Only a very small portion of this acreage is accounted for by the cultivating of new land, but it is principally accounted for by the transfer of more farms into Thomas County than away from Thomas County. Yet, no adjustment in histories used for the making of the 1955 allotment to Thomas County was made. Either the regulations with reference to county allotments did not provide for the making of adjustments at this time; or, someone in the Office of Commodity Stabilization Service failed to make the adjustments. The result was that the farmers in Thomas County divided what should have been their allotment with in excess of 25,000 additional cropland acres.

With reference to the crop year of 1956, you may again refer to exhibit (1) attached to my statement. No system appears for making the adjustments which were made in histories between 1955 and 1956. Computing the additional acreage on the basis of the additional cropland added after 1954, the factor would be 105.1 of the 1954 histories. The histories shown for 1956 do not equal any particular factor, and, it appears that Thomas County may have been given more adjustment than it was entitled to receive for the crop year 1956. The histories used for 1956 appear to have been guesses made.

A definite system of accounting for acres transferred in and out of counties ought to be established by the Secretary of Agriculture; and, if he cannot do this, the Congress ought to require it by law. An acre of wheat allotment is a valuable property right and ought to be as strictly accounted for as are dollars.

PUBLIC LAW 85-203, AS AMENDED, BY PUBLIC LAW 85-366

Public Law 85-203 was enacted on the 28th day of August 1957. None of the farmers in the western Kansas counties had any actual notice of the law before seeding the 1958 crop. On April 4, 1958, Public Law 85-203 was amended by Public Law 85-366. Under Public Law 85-366, the county and State use the wheat farm allotments for the overseeded farms in determining county and State bases for the history of the 1958 crop year. The individual farms which overseeded use the wheat farm base for the individual farm history. The effect of this is to require complying farms to share the loss in history occasioned by overseeding in the 1958 crop year. I am informed that in the 1st session of the 86th Congress, H.R. 9092 was introduced by Mr. McGinley, Congressman from Nebraska, and passed the House of Representatives. The bill, as passed by the House, provides "for counties in the commercial wheat-producing areas in 1958, in establishing county allotments for 1961 and subsequent years in which 1958 is 1 year of the 10-year base period the acreage seeded to the production of wheat in the county in 1958 shall be deemed to be the sum of the wheat base acreages of all farms in the county established under the regulations of the Secretary for determining 1958 farm wheat acreage allotments." The House version of the bill described above needs to be extended to include State acreage as well as county. The effect of the passage of the bill as suggested changed will be to give the counties and States the same treatment as the individual farms receive under subsection (b) of section 334 of the Agricultural Adjustment Act of 1938, as amended.

In Thomas County and in the western counties of Kansas no county gained history as the result of overseeding during crop years 1954 through 1957. Many

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farmers would have destroyed their excess acreage in 1958 but for the passage of Public Law 85-366 which made complying farmers share the loss of wheat acreage caused by noncomplying farmers of counties and of States. This part of Public Law 85-366 is wholly unfair, not supported by reason, and lacks moral basis for being law. The provisions of Public Law 85-203 and Public Law 85-366 as these laws affect 1959 and subsequent years are fair, reasonable, and should be retained.

OVERSEEDING FARMS FAILING TO PRODUCE EXCESS

Under present law and regulation, farms overseeding for the crop year of 1959 and subsequent years will not lose history or allotment if they store their excess wheat in accordance with the regulations; or, if they deliver the same to the Secretary of Agriculture in accordance with the regulations. The overseeding farm may, however, lose acreage if it fails to produce an excess. This, I believe, it is a peculiar provision of the law which was simply not foreseen at the time it was drafted. I understand a bill has been introduced in the Senate by Andrew F. Schoeppel, from Kansas, which would correct this inequity. The bill has been reported to me as Senate bill 1580.

DEFINITION OF CROPLAND

On the basis of the definition of cropland contained in "Farm Constitution and Allotment Record Regulations," paragraph 719.2, subparagraph (f), and on the basis of weight given to cropland in determining wheat farm bases in western Kansas counties, the county committees are adjusting histories up or down to keep close to the same ratio for the wheat farm base to the cropland of the farm. The result of this administration is that a new measurement often causes a change in wheat farm allotment. A further result, and one of more serious consequence, is that farmers who have without payment from the Government permitted cultivated land to go back to grass, or, who have seeded the same back to grass, are losing wheat acreage base and wheat farm allotment or must cultivate the land within the required time in order to hold the old farm allotment. The practice of the farmers with respect to retirement of land from cultivation ought to be encouraged by the law and the regulations—not discouraged. This class of farmers should at least be given the same consideration with respect to their future allotments as farmers who place land in the conservation reserve. The law and regulations should be amended to encourage the practice just described.

CONCLUSION

Farmers are a particularly determined class of people and are not inclined to give up their farms, or farming operations, until they are bankrupt; so, taking off controls would in my opinion not decrease but increase surplus. The problem for the individual farmer—when the price is less his production must be more for him to meet his financial obligations and to live.

Future legislation on wheat will be tied to present wheat acreage allotments and wheat quotas and present records in the respective ASC offices will be used as a basis for these controls. Therefore, it is vital to sound wheat legislation that the inequities I have described be corrected.

Respectfully submitted,

GERALD C. STOVER.

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EXHIBIT (1)

Thomas County

County wheat history	Wheat allotment years						
	1954	1955	1956	1957	1958	1959	1960
1943	297,621						
1944	267,360	267,360					
1945	274,350	274,350	292,000				
1946	275,100	275,100	293,000	293,000			
1947	338,444	338,444	356,500	356,500	364,307		
1948	257,143	257,143	275,000	275,000	281,022	281,022	
1949	319,477	319,477	337,000	337,000	344,380	344,380	344,380
1950	262,124	263,671	282,000	282,000	288,176	288,176	288,176
1951	282,960	282,209	300,000	293,313	299,737	299,737	299,737
1952	339,218	312,476	330,500	325,211	335,480	333,480	335,480
1953		255,815	273,702	(292,690)	(299,100)	(299,100)	(299,100)
1954			270,990	267,210	273,990	273,990	273,990
1955				274,290	275,863	275,863	275,863
1956					276,335	276,335	276,335
1957						281,649	281,649
1958							243,859
(a) 10-year average	291,380	284,604	301,070	299,621	303,839	295,573	291,857
(b) Short-term average	[1] 301,636	[1] 285,438	[1] 281,892	[2] 284,302	[2] 292,154	[3] 281,387	[3] 270,339
(c) Preliminary base	295,603	284,604	287,530	289,988	297,996	288,480	280,272
(d) State committee adjustment		289,442	293,270	292,888	296,506	293,704	286,422
(e) County allotment	221,129	[4] 190,016	193,264	195,635	196,486	194,198	191,018
Cropland acres	523,816	548,256	550,736	555,893	565,057	561,929	559,314

[1] Average of 5-year and 2-year period.
[2] Average of 5-year and 3-year period.
[3] Average of 5-year period.
[4] Allotment increased 1,247 acres from State reserve to total of 191,263 because Garvey Farms were missed in both Wallace and Thomas Counties.

NOTE.—The cropland acres shown herein were supplied by the Thomas County agricultural stabilization and conservation office to Gerald C. Stover and were not a part of the data furnished by the State agricultural stabilization and conservation office.

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EXHIBIT (1)a

Thomas County base acreage[1] and histories

Year and wheat acres plus adjustment	History, adjustments, and county base for 1957	History, adjustments, and county base for 1958	History, adjustments, and county base for 1959	History, adjustments, and county base for 1960
Transferred farms factor	None	1.0219	(2)	(2)
1946 (AMS) wheat acres plus war crop credit	293,000			
1947 wheat acres plus war crop credit	356,500	364,307		
1948 wheat acres	275,000	281,022	281,022	
1949 wheat acres	337,000	344,380	344,380	344,380
1950 wheat acres plus diversion credit	282,000	288,176	288,176	288,176
1951 wheat acres plus diversion credit	293,313	299,737	299,737	299,737
1952 wheat acres	325,211	335,480	335,480	335,480
1953 wheat acres (after adjustment for abnormal weather)	292,690	299,100	299,100	299,100
1954 wheat acres plus diversion credit	267,210	273,990	273,990	273,990
1955 wheat acres plus diversion credit	274,290	275,863	275,863	275,863
1956 wheat acres plus diversion credit		276,335	276,335	276,335
1957 wheat acres plus diversion credit			281,649	281,649
1958 wheat acres plus diversion credit				243,859
10-year adjusted average	299,621	303,839	295,573	291,857
5-year average	290,542	292,154	281,387	270,339
3-year average	278,063			
Midpoint of 5- and 3-year average	284,302			
Preliminary base[3]	289,988	297,996	288,480	280,272
State committee adjustments of preliminary base (percent)	101	99.5	101.8	102.2
Final base	292,888	296,506	293,704	286,422
Cropland acres	555,893	565,057	561,929	559,314
Pre-1954 average	[4] 306,839	[5] 316,028	[6] 307,982	[7] 313,375
1954 and subsequent years average	[8] 270,750	[9] 275,396	[10] 276,959	[7] 270,339
Average of years before 1954 is the following percentages of county base	104.76	106.58	104.86	109.41
Average of years before 1954 would have been the following percentage of county base without effects of Public Law 85-366				107.33

[1] Public Law 85-203 amended by Public Law 85-366; caused the 1960 Thomas County base acreage to be reduced as follows: The sum of the base acreages of individual farms equals 279,895; county base equals 243,859; difference equals 36,036; caused reduced 10-year average 3,604; caused reduced 5-year average 7,207; caused reduced preliminary base 5,405 times State factor 0.66691 equals 3,604 loss.

[2] Used 1958 acreages.

[3] Preliminary Base for 1960 adjusted down by Grain Division, Office of Commodity Stabilization 0.99706124.

[4] 8 years.

[5] 7 years.

[6] 6 years.

[7] 5 years.

[8] 2 years.

[9] 3 years.

[10] 4 years.

NOTE.—Reason for averages during years before 1954 being higher than subsequent years is that histories for 1952 and 1953 were not reflected in Thomas County base acreages for individual farms. Historical average for these years in 1954 was 284,027 acres; sum of wheat farm bases was 262,184.

EXHIBIT (2)

APRIL 19, 1956.

Hon. EZRA TAFT BENSON,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR SECRETARY BENSON: I am a farmer in Thomas County, Kans. I am also a regularly practicing attorney in Thomas County, Kans. I have had some experience with appeals of wheat acreage allotments established by the agricultural stabilization and conservation committee for Thomas County, Kans., and have had some hearings before the review committee having jurisdiction in Thomas County, Kans., which is area of venue XXII, consisting of the counties of Cheyenne, Rawlins, Thomas, Sherman, and Wallace.

The review regulations being form MQ-51 explicitly provides at paragraph 711.14:

"No review committee shall include any member of the county or community committee through which was determined any matter relating to any quota for the review of which the review committee is established."

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The above-quoted portion of the above-numbered paragraph of said review regulations has not in my opinion been directly violated for this county. It has however, been violated in spirit and practice in the following respect. All of the above-described counties in venue XXII contain about the same kind of farms, and all of such counties followed substantially the same practice when wheat acreage allotments were set up in 1953 for the crop year of 1954, and all of the members of the review committee who are currently serving for venue XXII, when it sits to hear reviews for Thomas County, Kans, were members of their respective county committees in 1953, when the acreage allotments were determined for 1954. The committee members are Burl Montgomery, of Rawlins County, Kans., E. L. DeMint; of Wallace County, Kans.; and Tobias Walter, of Cheyenne County, Kans.

The base acreages established for 1954 have generally been used for the same farms for the years 1955 and 1956; so, that if an acreage were erroneously established in the first of this last 3-year series of acreage controls, it has been continued erroneously for 1955 and 1956, and the farmers have no chance of getting an unbiased review before the review committee, where its members committed the same error in fixing the allotments in their respective counties.

The procedure to reverse the review committees in court is too long and expensive to provide an adequate remedy for the farmers. They desperately need a review committee which is fair and unbiased. I request for myself and my clients, Ernest Ziegelmeier, of Colby, Kans., Frank Vacin, of Colby, Kans., and J. E. Ziegelmeier, of Gem, Kans., a change in the review committee which sits for this county. It should be composed of intelligent, eligible farmers who have not served on any county committee since the current series of controls were made effective and set into operation. That would exclude all persons who have served on any committee during or since the calendar year of 1953.

In Thomas County, Kans., base acreage were arbitrarily determined to be 50 percent of cropland acres, regardless of the amount of wheat regularly planted on the farm. No distinction was drawn between the farms which have a substantial livestock program and those farms which are exclusively wheat farms. In other words, a dairy farmer, who might have regularly planted very little wheat, received a base acreage equal to one-half of cropland acres and the same pro rata allotment as other farmers. Most farmers in this area summer fallow a part of their land every year, and plant it to wheat only once in 2 years, but some farmers, to protect and conserve the soil, prefer to plant continuous crop wheat with wheat following wheat on the same land year after year without intervening summer fallow. The review committee, referred to above, has made the finding in review cases where I participated; that the farmer was a continuous crop farmer, which was not the practice in his community and, therefore, his appeal was denied. I have such a case pending for my client, Ernest Ziegelmeier.

It will not serve any useful purpose for you to send this letter for attention to the State office for Kansas, located at Manhattan, Kans., because I have taken this matter up with them and they have refused to recommend any action to you. Also, the plan of establishing base acreages equal to one-half of cropland acres was an idea sold by the State office for Kansas to the respective county committees for the western Kansas counties, and no western Kansas farmer can expect relief as to his base acreage working through the State office or the review committee.

Losses have resulted in wheat acreage to western Kansas counties, because of the method used, as described above in arbitrarily establishing base acreages. For example, in 1954 the cropland acres for Thomas County were 523,816; the base acreage established was 261,905; and the historical average was 284,027. A similar difference in base acreage and historical average exists for the crop year 1955. Now since the crop year 1954 was approximately a 35 percent factor for 1956, in determining the Kansas allocation of acres to Thomas County, Kans., you can see that a substantial loss of wheat acreage to the county resulted from the aribitrary action of our county committee in setting up the base acreages for the crop year of 1954 at one-half of cropland acres.

You really should send an auditor from your Washington office, or a fieldman from some regional office, so that he can determine from the records how the western Kansas county committees have made practically no effort to follow the wheat acreage allottment regulations.

Yours very truly,

GERALD C. STOVER.

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EXHIBIT 3

U.S. DEPARTMENT OF AGRICULTURE,
COMMODITY STABILIZATION SERVICE,
GRAIN DIVISION,
Washington, D.C., May 3, 1956.

Mr. GERALD C. STOVER,
Colby, Kans.

DEAR MR. STOVER: This is reply to your letter of April 19, in which you recommend that the review committee having jurisdiction in Thomas County, Kans., with respect to wheat allotments, be removed because of what you believe to be violation in spirit and practice by such committee of the review regulations.

We have been informed that you have appealed your individual farm allotment to the review committee and have also taken your case to court. The court has held that the review committee had properly acted in denying a request for an increase in your farm allotment since it determined such allotment had been established in accordance with the regulations. The present members of the review committee have been appointed in accordance with the regulations governing such appointment, and we do not feel there is any evidence justifying their removal.

Since we do not have the farm data on the clients which you represent we are unable to determine whether such cases would be subject to reopening. We assume, of course, that you have presented these cases to the review committee and this committee has denied your clients' appeals.

If there is any additional information you desire, please feel free to call upon us at any time.

Very truly yours,

CLARENCE D. PALMBY,
Associate Director.

EXHIBIT 4

MAY 8, 1956.

Hon. EZRA TAFT BENSON,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR SECRETARY BENSON: In my letter to you, dated April 19, 1956, I have received no reply to the portion of that letter which describes in a general way the method used in establishing base acreages for farmers in Thomas County, Kans.

The irregularity in method of establishing base acreage is actually costing the farmers in Thomas County, Kans., 5,000 acres of allotment for the 1956 crop; and for 1957 and 1958, will probably cost a greater acreage to the farmers in this county. I am much more interested in getting this thing corrected than I am in getting a few individual farm adjustments made.

I make this appeal to you because I believe you are honestly attempting a fair administration of the Agricultural Adjustment Act.

To give this fair administration, when you have a situation where the regulations have been utterly disregarded, I believe you have no choice but to conduct an independent investigation. The area affected, to my knowledge, is practically all the counties of western Kansas, and it may extend to the plains regions of surrounding States.

If you feel that your job is done by replying to my letter and pointing out something to whitewash the local committees or the State officials, you might just as well disregard the letter altogether; because I know, in that case, nothing will happen. If, on the other hand, you send an auditor to investigate Thomas County, Kans., I am sure he will find that the regulations have not been followed. He will find that historical years on individual farms have been eliminated on a wholesale basis for reasons given in the regulations, but without any evidence whatsoever in the files justifying such elimination. I would make no objection except that this acreage is being permanetly lost to the great wheat-producing area where wheat is practically the only crop we can successfully grow, and is vital to our economic life. I believe we are en-

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titled to an investigation of the charge I made in my letter of April 19, 1956, and have renewed in this letter.

You may wonder why I am so persistent about this matter; when you know you are right you do not give up easily.

Yours very truly,

GERALD C. STOVER.

EXHIBIT 5

MAY 29, 1956.

Hon. EZRA TAFT BENSON,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR SECRETARY BENSON: I wrote you one letter under date of May 7, 1956, and one letter under date of May 8, 1956. I have received no reply from you to either of these letters.

In the letter of May 8, 1956, I requested that you send someone from the Washington office to audit the Thomas County office as to the method used in establishing base acreages for Thomas County, Kans. Mr. Harold Houske, an attorney with the U.S. Department of Agriculture from the regional office in Kansas City, Mo., will be in Colby on June 6, 1956, for the purpose of assisting the county committee in the matter of hearing some 1956 wheat acreage allotment reviews. Mr. Houske works under G. H. Penstone, attorney in charge. Mr. Houske has a good understanding of the wheat acreage allotment regulations and would be thoroughly competent to audit the Thomas County A. S. & C. office with relation to the establishment of base acreages for individual farms in this county if he were relieved from any duty to the Kansas State committee to the Thomas County committee or to the attorneys who have represented those committees in various cases. In other words, if you were to write him direct instructing him to fairly audit the Thomas County office and report to you whether the regulations were followed, I would be willing to accept his judgment on this. I would, however, feel that before doing this Mr. Houske should be advised to let the chips fall where they may, and that it was not his particular job to sustain the position of the Thomas County committee, of the review committee which sits in Thomas County, or of the State officers for the State A. S & C. committee. It just occurred to me that this might be an economic way for you to field check the Thomas County office. The total sum of the individual farm base acreages for each of the years 1954, 1955, 1956, and 1957, is substantially below the historical average for the respective years. The county historical average acreage is the sum of the averages for the individual farms for the respective years. The average historical acreage and the average base acreage for the years 1955 through 1957 are as follows:

	Thomas County	
	Historical average	Base acreage
Year:	*Acres*	*Acres*
1954	284,027	261,905
1955	296,238	273,765
1956	287,549	275,083
1957	287,184	276,851

My complaint about the difference in the historical average for the county and the base acreage for the county is that since the base is below the average and since the base is the basis used for determining future allotments to the county, the farmers in the county collectively lose acres of allotment because of the above-described difference in history and base acreage.

Now the whole reason why the county historical average is greater than the county base is because the 1954 and 1955 wheat acreage allotments regulations were not followed in establishing the base acreages for the individual farms. The committee established the individual farm base acreages at 50 percent of cropland acres and did not use the individual histories for the individual farm if these acreages varied more than 1 or 2 percent from 50 percent of cropland

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acres. In elimination of historical years for individual farms the committee used grounds stated in the regulations without any supporting evidence whatsoever to justify the findings of the existence of that particular ground. An independent investigation would prove that I am right about these matters, and if made by Harold Houske, will confirm what I have told you in my various letters; provided of course, that Harold Houske is free of all obligations to whitewash any particular person or persons, and is instructed to make his audit without regard to where the chips fall.

Yours very truly,

GERALD C. STOVER.

EXHIBIT 6

U.S. DEPARTMENT OF AGRICULTURE,
COMMODITY STABILIZATION SERVICE,
GRAIN DIVISION,
Washington, D.C., June 18, 1956.

Mr. GERALD C. STOVER,
Colby, Kans.

DEAR MR. STOVER: This is in reply to your letter of May 29, requesting that Mr. Harold Houske be authorized to audit the Thomas County ASC Office with respect to the establishment of base acreages for individual farms in Thomas County.

The manner of establishing allotments in Thomas County has been thoroughly discussed by representatives of this office with the State committee, and the State committee in turn has reviewed the situation in Thomas County.

It is also our understanding that this problem of setting farm bases has been discussed many times with you and that little could be gained in any further review of this situation.

We have been assured by the State committee and representatives from this office that the base acreages as established by the Thomas County Committee are being set in accordance with the regulations. Therefore, no further action will be taken by this office.

Very truly yours,

CLARENCE D. PALMBY,
Acting Director.

EXHIBIT (7)

JUNE 22, 1956.

Hon. EZRA TAFT BENSON,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

(Attention of Clarence D. Palmby, Acting Director, Grain Division, Commodity Stabilization Service.)

DEAR MR. PALMBY: I have received your letter of June 18, 1956.

I made it clear in my letters addressed to Secretary Benson, dated May 7, 1956, May 8, 1956, and May 29, 1956, that it would serve no useful purpose to ask the administrative officers working for the State ASC committee, whether regulations had been followed in establishing wheat acreage allotments for Thomas County, Kans.

It is my understanding from your letter of June 18, 1956, that as long as the representatives of the State committee say that the regulations were followed, you are not interested in making any further investigation in whether they were or not.

The farmers in Thomas County, Kans., will lose 15,000 wheat acreage allotment annually, because the county committee gave no consideration to the past acreages of wheat when allotments were established in 1954 and 1955.

If the U.S. Department of Agriculture is not interested in a fair administration which will give these farmers their rightful and needed acreage, I can expect no assistance from your office. You may be sure that I will not stop at this point, because I have been honest in my presentation of facts to your office. If need be I will organize the farmers to such an extent that we cannot be ignored.

Yours very truly,

GERALD C. STOVER.

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EXHIBIT (8)

SEPTEMBER 3, 1959.

Hon. EZRA TAFT BENSON,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR SECRETARY BENSON: According to recent accounts, the farm operators around Atwood, in Rawlins County, Kans., are becoming well organized under the leadership of Claude Bell, and are protesting the methods of establishing base acreages in that county when allotments were first established under the current controls for the 1954 wheat crop year. I recommend that your office audit the method used by the county committee of that county when the allotments were first established in 1953 for the 1954 crop year.

If your office should decide it advisable to review by audit, or other method, the wheat listing sheets and other data showing the use, or lack of use, of wheat histories in determining base acreages for individual farms, it would be well to include in that audit some of the other counties in western Kansas, particularly, Thomas County, Kans. I enclose herewith copies of letters I wrote to you on April 19, 1956, on May 8, 1956, and on May 29, 1956, relating to this same problem. The above-described letters were answered by Clarence D. Calmby; in one case, as Associate Director of the Grain Division; and, in another case, as Acting Director of the Grain Division of the Commodity Stabilization Service of the U.S. Department of Agriculture.

I enclose herewith a map of the State of Kansas which I prepared from acreages transcribed by myself from the State ASC Office records at Manhattan, Kans. The enclosed map reflects percentagewise the potential loss of wheat acreage by western Kansas counties. I am pleased the farmers in this area are organizing, unless adjustments can be made which will correct not following the wheat acreage allotments regulations during the early years of the controls, more counties will be organized. I trust your office will now send a representative to this area who will audit the records determining individual farm wheat bases for the early years of the current series of controls.

Yours very truly,

GERALD C. STOVER.

EXHIBIT (9)

U.S. DEPARTMENT OF AGRICULTURE,
COMMODITY STABILIZATION SERVICE,
GRAIN DIVISION,
Washington, D.C., October 1, 1959.

Mr. GERALD C. STOVER,
Thiel Building, Colby, Kans.

DEAR MR. STOVER: This is in reply to your letter of September 3, 1959, concerning the wheat acreage allotments established in several of the northwest counties of Kansas.

We appreciate the comments received in your letter and also the opportunity that representatives of the Department had to visit with you when they were at Colby for the purpose of assisting in review hearings.

Our representatives informed you when they were at Colby that the listing sheets for the 1954 allotment program were in the office of the Grain Division at Washington.

Upon return of the Division representatives, a review was made of these listing sheets for 1954 and they have been found to reflect compliance with the act and regulations which were in effect for such year.

Very truly yours,

LOUIS N. ROBERTS, *Acting Director.*

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EXHIBIT (10)

COLBY, KANS., *April 8, 1957.*

Re base acreages for farms in Thomas County, Kans., for 1958.

U.S. DEPARTMENT OF AGRICULTURE,
Agricultural Stabilization and Conservation Committee,
Manhattan, Kans.
(Attention: State committee).

GENTLEMEN: The Thomas County Agricultural Stabilization and Conservation Committee hereby requests the Kansas Agricultural Stabilization and Conservation Committee for the following authority in determining base acreages for the individual farms for 1958, to wit:

1. The right to use county ratio determinations for "acreage indicated by cropland"; and

2. The right to fix the individual farm bases above the "acreage indicated by cropland," but not higher than 0.542 of cropland.

The above request is made to permit the fixing of the individual farm base acreages in line with actual individual farm histories during the crop years of 1952 and 1953, which were unaffected by controls. The cropland acreage, the county historical average acreage, and the ratio of county historical average acreage to cropland acreage, and the sum of the farm bases for Thomas County for each of the years 1954, 1955, 1956, and 1957 are as follows:

Year	Cropland acreage	Historical average acreage	Ratio history to cropland	Thomas County bases	Ratio of bases to cropland
1954	523,816	284,027	0.542	261,905	0.50
1955	548,256	296,238	.540	273,765	+.499
1956	553,152	287,539	−.520	276,176	+.499
1957	568,662	290,612	+.511	283,359	+.498

The above acreages are taken from the county summary wheat listing sheets and will correspond very closely to the records in your office.

Since the sum of the individual farm bases is less than the historical average acreage for the county, our county does not receive sufficient diversion credit in the making of allotments to the counties. And the farther we proceed with controls, the greater the loss through the diversion credit factor to Thomas County. This is true because each controlled year draws down the average in history for the county, because adjustments for complying farmers are made up to the individual farm bases.

If the above-requested permission is granted by the State committee, it will make no difference in the allotment of wheat acreage to Thomas County for 1958 or for 1959, because there has been a 2-year lag in the acreages used to make allotments to the counties, and we assume that such lag will continue on account of the necessity of having the acreages ready and available when allotments are made to the counties. For crop years beginning after 1959, however, such permission would result in Thomas County reacquiring wheat acreage in accordance with its original history during uncontrolled years.

The Thomas County committee believes it should be entitled to make adjustments in line with the foregoing requests for the reason that when the individual farm bases were established in 1953 for the crop year 1954, one-half of cropland acres were used for the individual farm bases rather than the individual farm histories in this county. It was the thinking of the Thomas County committee at that time that it would be more equitable than the use of the individual farm histories, in that it would result in each farm having substantially the same percentage of its land for its wheat allotment. As evidence of this, the State committee can examine the wheat listing sheets for Thomas County for 1954 and see that the histories were universally eliminated where they were over one-half of cropland acres and where they were under one-half of cropland acres. This was done by the committee without any investigation as to whether the reasons justifying the elimination of histories existed or not.

The difference in the historical average, 284,027 acres, and the sum of the farm bases for 1954 is 22,122 acres, and the Thomas County committee believes that when allotments have been in effect long enough that the county histories used

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in the allocation of acreage to the counties are all controlled years, that the 22,122 acres will be the diversion credit loss this county will suffer if the above permission is not granted.

The State committee may feel that 1952 represented an abnormally large wheat acreage for Thomas County, and that therefore this county has not been hurt as the result of establishing base acreages in 1954, but an examination of the adjustments and acreage will indicate that 1953 was an abnormally low year so that one of these years about equalized the other, and the average of the two fairly represents the normal wheat acreage for Thomas County.

The 1954 year is the really important year because in 1955, 1956, and 1957 the individual farm base acreages have been largely carried forward from one year to another.

Only one township in the county, Wendall, has an indicated acreage ratio materially below 0.50, its indicated acreage ratio for 1954 was 0.458 and has varied 0.001 or so each year since then. This particular township is low because one large farm had a history which was about 1,300 acres below what it would have been had it had 0.458 of its cropland acres. Therefore, the first request made in this letter would give relief to some farmers who need relief in Wendall Township.

Under the instructions in the handbook for 1958, the Thomas County committee believes the State committee has authority to grant it the authority requested in this letter.

Your very truly,

——— ———.

EXHIBIT (11)

MANHATTAN, KANS., *May 1, 1957.*

Office Memorandum: U.S. Government.
To: Thomas County ASC office.
From: Wendell Becraft, State administrative officer.
Subject: Establishment of farm base acreages under the 1958 wheat allotment program.

Reference is made to your letter of April 8, 1957, on the above subject requesting authority from the State committee—

(1) To use a county ratio instead of community ratio in determining the acreage indicated by cropland for individual farms under the 1958 program;

(2) Blanket authority from the State committee to fix individual farm bases for 1958 above the "acreage indicated by cropland" but not higher than 0.542 of the cropland acreage.

The State committee has given consideration to your request and to the information furnished in your letter and have approved your request for authority to use a countywide ratio instead of community ratios in computing "indicated by cropland" acreages for individual farms to be entered in column 15 on the 1958 wheat listing sheets.

Your request for the blanket authority to fix individual farm bases above the "acreage indicated by cropland" but not higher than 0.542 of the cropland cannot be approved by the State committee. Any request for authority to make upward adjustments that would result in 1958 farm base acreages above the acreage indicated by cropland in column 15 on the 1958 wheat listing sheet must have prior approval of the State committee. This is in accordance with the provisions of subparagraph 25, D, 1 in part III, 1–Wheat (58), 1958 Wheat Allotment Handbook. In making any such requests the data for the individual farms for which such adjustments are desired should be listed on a separate 1958 wheat listing sheet and the proposed adjustments shown. A cover letter should also be submitted explaining the basis for the proposed adjustments.

The State committee recognizes the problem as presented in your letter. The same situation in varying degrees exists in several other counties, some of which are nearby or adjacent to Thomas County. We have already brought this problem to the attention of representatives of the Grain Division, Commodity Stabilization Service, USDA, Washington, and we will make further studies and recommendations concerning adjustments that may need to be made in the basic wheat data for your county and other counties in connection with the apportionment of State wheat allotments in future years. A significant change has been made this year in the trend formula for apportioning the State wheat

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acreage allotments to the counties in the State. This change involves the use of a 10 year-5 year average instead of a 5 year-3 year average in making adjustments for trend in establishing 1958 county wheat base acreages for the purpose of apportioning the State allotment to the counties.

If you desire further information concerning the determinations of the State committee, we shall be glad to furnish it to you upon request.

[S. ———, 86th Cong., 2d sess.]

A BILL To amend subsection (b) of section 334 of the Agricultural Adjustment Act of 1938, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 334 of the Agricultural Adjustment Act of 1938, as amended, is further amended by striking the period at the end of the last sentence thereof, inserting a colon, and adding the following: "*And provided further,* That, for counties and for States in the commercial wheat-producing areas in 1958, in establishing county and State allotments for 1961 and subsequent years in which 1958 is one year of the ten-year base period, the acreage seeded to the production of wheat in the county and in the State in 1958 shall be deemed to be the sum of the wheat base acreages of all farms for the county and the sum of the wheat base acreages of all farms in the State for the State as established under the regulations of the Secretary for determining 1958 farm wheat acreage allotments."

The CHAIRMAN. Any further questions?

If not, we will stand in recess until 2:30.

(Whereupon, at 12:35 p.m., the hearing recessed until 2:30 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will please come to order.

Mr. Shuman, we are glad to have you here.

I notice you have a prepared statement.

Mr. SHUMAN. A very brief one.

The CHAIRMAN. Would you want to go through it without interruption or would you mind——

Mr. SHUMAN. I would appreciate that. There are only five pages here.

The CHAIRMAN. You prefer reading it and then you will subject yourself to questions?

Mr. SHUMAN. If that is all right.

The CHAIRMAN. Proceed.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. SHUMAN. Mr. Chairman and members of the committee, my name is Charles B. Shuman, and I am president of the American Farm Bureau Federation.

We appreciate the opportunity to come before the Senate Committee on Agriculture and Forestry once again to discuss the wheat problem and legislation that is needed to solve it. We understand that this is a continuation of the hearing begun on February 3, 1960; therefore, on the assumption that the Farm Bureau's statement of that date is in the record, we will be quite brief in our presentation.

There is little question about the need for corrective legislation to deal with the wheat problem. If our current crop were to be a complete failure, we could supply the existing markets for U.S. wheat—

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including all requirements under present export programs—from CCC stocks until well after the 1961 harvest. But the April crop report indicates that we are headed for another bumper wheat crop and another big increase in CCC stocks.

The present wheat program has virtually no defenders. Farmers know that we can't go on the way we have been, and that there is no easy way out. They know, too, that delay would make more severe the adjustments that must come.

A number of new bills dealing with wheat have been introduced since we testified on February 3. Farm Bureau recommendations for a coordinated approach involving extension of the conservation reserve and a new wheat program have been introduced as S. 3335 and S. 3336. A revised version of the so-called certificate plan has been introduced as S. 3159.

Although the so-called certificate plan has been before Congress for many years, the revised version, presented in S. 3159, contains new gimmicks and gadgets that are neither widely known nor understood by wheatgrowers. In recent meetings in important wheat States we have found that some of the most vocal advocates of the certificate plan are amazed and disappointed when they hear what the revised version contains.

The revised certificate plan is an unsound proposal to fix wheat prices at parity in the so-called primary market by a monopolistic control of the supply. This would be attempted by—

(1) Providing that no person may process wheat for human food or export unprocessed wheat unless it is certified to be "primary-use" wheat, or to represent "primary-use" wheat.

(2) Restricting the free supply of certificated wheat to less than estimated requirements for domestic human consumption and export.

(3) Forcing processors and exporters to buy CCC wheat at parity prices to make up the difference between the free supply of certificated wheat and "primary" market requirements, and

(4) Using CCC sales and purchases to offset errors in estimating "primary-use."

While provisions authorizing sales from CCC stocks may suggest an intent to gradually liquidate the existing Government stockpile, this is an illusion. Other provisions of the bill provide for purchases that would keep the CCC in the wheat business for years to come. As a matter of fact, operation of the program depends on the CCC having substantial stocks.

Among other things, the revised certificate plan would—

(A) Give everyone who has a wheat history a share of the market for milling and export wheat without regard to cost or production, type, kind, or quality of wheat produced.

(B) Penalize traditional wheatgrowers for the benefit of other producers who often have better alternative uses for their land, labor, and machinery.

(C) Unfairly subsidize production of surplus wheat for feed, thereby creating problems for the producers of feed grains, livestock, dairy, and poultry products.

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(D) Dump "hot wheat," accumulated under past programs, into the feed market without payment of marketing quota penalties.

(E) Destroy the futures market for wheat.

(F) Approximately double the export subsidy rate on wheat.

(G) Increase and intensify the opposition of other wheat-exporting countries to "unfair U.S. export policies."

(H) Permit producers in dryland areas to place summer fallow in a land retirement program on a 1-year basis while requiring producers in humid areas to retire 10 percent of their base acreages without compensation.

A more detailed analysis of the principal provisions of the revised wheat certificate plan as contained in S. 3159 and similar bills is attached as exhibit A.

We cannot accept a wheat program that would hurt other farmers, be costly to taxpayers, impair our relations with foreign countries, and not even serve the interests of the traditional wheatgrowers who have the biggest stake in the future of this commodity.

Farm Bureau's plan would permit wheat to be fed on a fair competitive basis, protect the interests of the traditional wheatgrower, promote needed acreage adjustments, reduce export subsidies, and lower total program costs. This would be accomplished by—

(1) Eliminating acreage allotments and marketing quotas, effective with the 1961 wheat crop.

(2) Basing wheat supports—beginning in 1961—on the support level for corn, with upward adjustments to reflect differences in weight, nutritive value and buyer preference; however, wheat would be supported at not less than 120 percent of corn in 1961.

(3) Protecting all farmers against the competition of CCC sales from accumulated wheat stocks, which now total over 1.4 billion bushels. This protection would be made effective by providing that no CCC wheat could be sold for domestic use or dollar exports at less than 150 percent of the effective support price, plus reasonable carrying charges.

(4) Helping farmers make needed adjustments in land use by expanding the conservation reserve program to 60 million acres by 1963.

As a general policy, without regard to action on wheat, we are recommending that the conservation reserve be extended for 3 years with adequate funds to expand the program to 43 million acres by 1963. In addition, as an integral part of the legislation we are proposing for wheat, we favor a provision to raise the total amount of land in the conservation reserve from the 43 million acres proposed above to 60 million acres at the end of 3 years. At least half of this proposed additional authorization of 17 million acres should be signed up the first year to cushion the adjustment to the proposed new wheat program.

The net effect of these recommendations on the size of the conservation reserve program would be about as follows:

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[In millions]

Year	Proposed acres in regular program	Additional acres under wheat bill	Total acres in reserve
1960	28	----------	28
1961	33	9	42
1962	38	13	51
1963	43	17	60

Each of these four parts of the Farm Bureau program is essential to the others. We cannot support the elimination of acreage and marketing controls without an adjustment in the level of support. The level of support cannot be reduced without protection to growers from competitive sales of Government-held surplus wheat. A substantial expansion of the conservation reserve is dependent upon—and justified by—adoption of the other sections of the program.

As previously noted, our recommendations have been introduced as S. 3335, a bill to continue the regular conservation reserve program; and S. 3336, a bill to provide for a further expansion of the conservation reserve in conjunction with other actions needed to solve the wheat problem.

We have noted references in the press to a so-called 80–20 plan. This apparently is a proposal to fix the support price for wheat of $1.80 per bushel and reduce acreage allotments by 20 percent. Without going into details with regard to this proposal, we can say without hesitation that it would not solve the wheat problem. Any proposal that increases or even maintains the current level of price support would lead us further down the road of excess production, lost markets, continuing surpluses, higher export subsidies, and rising annual expenditures for wheat programs.

We believe that our recommendations are sound and workable, and that they are fair from the standpoint of wheat farmers, other farmers, and the general public.

There may be alternatives that are as good or better than our proposals, but no plan will solve the basic problem or serve the longrun interests of farmers—including wheat farmers—unless it encourages market expansion, reduces incentives for the production of unneeded supplies, minimizes economic hardships on wheatgrowers, and avoids shifting the burden of adjustment to other farmers.

We have done our best to present legislative proposals designed to provide an effective and long overdue solution to this problem. We stand ready to be of whatever assistance we can to the members of this and other committees in dealing effectively with the current wheat situation.

I would like to include in the record the attached exhibit. I appreciate the opportunity to testify.

The CHAIRMAN. Without objection, that will be done.

(The document referred to follows:)

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Principal Provisions and Brief Analysis of the Revised Wheat Certificate Plan

A proposal labeled the "Wheat Marketing Act of 1960" has been introduced in the Senate as S. 3159 (Carlson of Kansas, and others) and in the House as H.R. 11011 (Breeding of Kansas, and others).

This proposal is endorsed by the National Farmers Union, the National Association of Wheat Growers, and the National Grange. It is the latest version of the so-called wheat certificate plan which has been before Congress in various forms for many years. It differs from the versions of previous years in means of distributing marketing rights, system of financing, and other details, but in principle it differs only in degree from earlier versions.

This statement sets forth the major provisions of the plan and appraises how it might be expected to affect producers of wheat, feed grains, poultry and livestock, and the world export situation.

In summary the proposal provides for:

(1) The establishment of a national bushelage quota for "primary use" wheat equal to the quantity of wheat used for domestic food and exports.

In general the "primary use" quota would be reduced by 150 million bushels annually as long as the Commodity Credit Corporation has wheat; however, provisions requiring further Government purchases would delay the liquidation of CCC stocks for many years.

(2) The issue of markeing certificates to all wheat growers in amounts equal to their proportionate shares of the "primary use" market after reduction of 150 million bushels to be supplied by CCC, except that provision is made to increase the proportionate shares of growers with base acreages of less than 15 acres.

(3) All growers to retire 10 percent of their base acreage from production without payment, and an additional 10 percent for payment if funds are available.

(4) Price support loans on "primary use" wheat at 75 percent of parity, and supply control (by limiting certificates to less than the quantity needed to supply primary-use) to force the price up to parity, which currently is $2.37 per bushel.

(5) A release price of 100 percent of the parity price at the time of sale for CCC wheat stocks.

(6) A prohibition on the processing or export of any wheat that is not certified to be "primary use" wheat or to represent "primary use" wheat.

(7) Unlimited production of nonquota wheat for livestock, dairy and poultry feed and other purposes without price support.

ANALYSIS OF PROPOSAL

Many provisions of this proposal are highly complex, and thus cannot be thoroughly appraised in a brief analysis. This statement deals only with the more glaring implications of the plan. The more important of these are that it:

(1) Would establish a three-price system

There would be separate domestic prices for certificated and noncertificated wheat. Foreign buyers would pay a third price which would be the domestic price for certificated wheat minus the export subsidy.

(2) Would seriously jeopardize income opportunities of traditional wheat growers

Among other things the plan would reduce substantially the quantity of wheat sold for domestic food and export.

"Primary use" quotas would be far lower than existing marketing quotas.

In order to get this point in focus, let us examine the impact that such a proposal would have on wheat growers—using actual statistics of the last 5 years (1954–58) as the basis of evaluation.

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Wheat used for domestic food	bushels	485,216,600
Wheat exported for dollars [1]	do	136,835,400
Total "primary use" wheat	do	622,052,000
"Primary use" wheat, less 150 million bushels from CCC	do	472,052,000
National average yield per acre 1954–58	do	21.5
Thus (472,052,000÷21.5)=acreage required	acres	21,955,907
Number of wheat allotments		[2] 1,815,602
Average acreage per grower under this plan, for "primary use" wheat (21,955,907÷1,815,602)	acres	12.1
Average acreage allotment under present program	do	30.8

[1] We have used the dollar export figure in our analysis rather than total exports of 437,000,000 bushels, as it is unrealistic to consider the exports made under special surplus disposal programs as a "primary use" of wheat. While the present certificate proposal does not preclude continued exports under Public Law 480 and other export aid programs, it obviously would greatly increase the public cost of continuing these programs. Treating all exports as "primary use" wheat would mean that the Government would be forced to pay full parity for wheat given away for famine relief, or sold for foreign currency, even though noncertificated wheat were freely available in domestic markets at 50 percent of parity, or even less. How could this be defended in the court of public opinion?

[2] The number of allotments in 1958, the latest year for which official data are available. This figure does not include the quota-exempt growers who had no allotments.

Under the above assumptions producers would receive so-called primary use wheat quotas 60 percent below current marketing quotas. Traditional growers would suffer most from such a cut, as they generally have both the opportunity to produce high quality milling wheat and limited alternatives to wheat production.

Further quota cuts could be expected as markets for "primary use" wheat shrink. While it is true that the domestic human consumption of wheat is rather insensitive to shortrun price fluctuations, a program that held wheat prices at, or near, parity levels for several years would create a powerful incentive for processors to find ways of reducing their use of wheat. The rate of "primary use" market decline is indeterminate in advance, but a shrinking of domestic food and export markets for wheat would be inevitable if "certificate wheat" prices were forced to two or three times the relative prices of corn, oats, barley, rye, and grain sorghums—all of which are potential substitutes for wheat, given time for science to develop the various processes needed.

Then there is the very serious question as to our chances of retaining current dollar export markets under the high cost subsidy that would be required by the enactment of this proposal.

(3) *Would approximately double rate of wheat export subsidy*

With a farm price of around $1.80, the export subsidy on wheat ranges from 52 to 74 cents per bushel depending on class, port, and destination. The rate on hard red winter—our largest class and the one in most serious surplus difficulty—is 61–64 cents through May 31, 1960. If the procurement price on export wheat were forced up to $2.37 per bushel (parity price as of February 15, 1960), as proposed by this plan, the subsidy rate would have to be increased 57 cents above the level now prevailing; i.e., to a total of $1.18–$1.21 per bushel.

Thus, it is apparent that if this program were adopted one of two things would happen. Either the public cost of maintaining our dollar export market for wheat would approximately double, or competition would force us to lose a large part of our current wheat export business.

(4) *Would legislatively allocate markets for "primary use" wheat irrespective of wheat quality, efficiency of production, or market demand*

The proposal provides that all the growers with base history would share proportionally in the "primary use" quota, except that producers with a base acreage of less than 15 acres would be able to get an adjustment which would increase their proportionate share of the "primary use" quota.

This sort of dividing-up process would permanently deprive wheatgrowers in traditional wheat areas, where crop alternatives are limited, or nonexistent, of a part of their historical participation in the quality wheat market. At the same time it would assure continued wheat production in areas where other crops might be grown more efficiently and profitably if competition were permitted to operate.

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It is obvious that any plan designed to try to keep all present wheatgrowers in the business of growing wheat in all areas of the country, regardless of their unit production costs, would greatly reduce both the efficiency of wheat production and the quality of product available to wheat processors, exporters, and consumers.

If the price of primary-use wheat dropped below 90 percent of parity, the CCC would be required to purchase, at parity, an amount of primary-use wheat equal to the increased share distributed to farms with a base acreage of less than 15 acres.

It is estimated that around 700,000 farms would be eligible for increases in their base acreages under the 15-acre provision. CCC purchases of the wheat representing adjustments in the shares allocated to such farms would materially offset the effect of provisions which authorize the CCC to sell 150 million bushels of primary-use wheat each year.

(5) *Would subsidize use of surplus wheat to depress prices of feed grains, livestock, dairy, and poultry products*

The way in which surplus wheat would be subsidized into the feed market can be very simply illustrated by using an example of a western Kansas or western Nebraska wheatgrower on a section (640 acres) of tillable land, cropped on a fallow basis.

Let us assume that—

(*a*) He plants 320 acres annually under this proposal.

(*b*) He currently has an allotment of 210 acres.

(*c*) His normal yield is 20 bushels.

(*d*) His new primary-use quota would be 1,680 bushel (output from 84 acres—estimated from 60 percent reduction mentioned earlier).

(*e*) Parity price is $2.37; the artificially depressed market price which would be created by this program is $1 per bushel for secondary use wheat.

Thus, the figures on his operation at the end of a normal year would be:

1,680 bushels at $2.37	$3,982
4,720 bushel at $1	4,720
Total (6,400 bushel)	8,702

Therefore, $8,702 divided by 6,400 equals $1.36 average price, or a subsidy of 36 cents per bushel ($1.36 — $1) on feed wheat.

To the producer of corn and other feed grains, this is outright subsidized competition. The plan would permit wheat growers to drag down the price of feed grains and play havoc with the production and prices of livestock, dairy, and poultry products. Such a plan would be pure economic dumping. It is unthinkable that the Congress would enact a law that would hurt all feed grain, livestock, poultry and dairy producers, and which wouldn't even serve the best long-term interests of the wheat producers themselves.

(6) *Would release "hot wheat" from previous crops into the feed market without payment of penalty*

This would reward individuals who have overseeded under past programs at the expense of feed grain, livestock, dairy and poultry producers.

Statements of some of the supporters of the certificate proposal indicate that one of their objectives is to force feed grain producers to adopt a control program.

(7) *Would keep the Government in the wheat business for many years to come*

At first glance, the proposal appears to be designed to reduce CCC stocks at the rate of 150 million bushels per year; however, as pointed out above, the provision for CCC purchase of primary-use wheat representing adjustments in the quotas assigned small growers is a substantial offset to the provision setting the primary-use quota 150 million bushels below estimated domestic human consumption and exports.

Provision is also made for the CCC to purchase any wheat from prior crops that could have been sold without penalty and any wheat in the channels of trade on the effective date of the act, if the farm price of primary-use wheat drops below 90 percent of parity. This would lead to a withholding movement which would disrupt the marketing of wheat in the period between enactment of such legislation and its effective date.

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In the event that the Secretary overestimated primary-use requirements, the CCC would be required to adjust the volume of primary-use wheat to needs by purchasing the excess at parity prices. This device could be used to keep a substantial stock of wheat in the hands of the CCC; and it should be noted that the operation of the plan is dependent upon the CCC having substantial stocks.

(8) Would require an incredibly complicated and rigidly controlled primary-use wheat marketing system

With more than half the wheat produced having no certificate, the difficulties of administering and policing a program of this kind are almost beyond comprehension.

While food processors apparently would be permitted to substitute other wheat for an equal quantity of certificated wheat, a tremendous police force would be required to check processor sales against their purchases of certificated wheat. Complicated conversion formulas would be necessary to determine the wheat content of finished products. Constant checking would be necessary to guard against unreported changes in product formulas.

(9) Would permit summer fallow to be placed in the soil bank on a 1-year basis

Producers would be required to put 10 percent of their base acreage in a land-retirement program without compensation on a year-to-year basis. This would reduce total agricultural production in humid areas, but would have no effect in summer fallow areas. Consequently, it is discriminatory.

(10) Would destroy futures trading in wheat

Stripped to essentials, the revised certificate plan is a proposal to fix the price of primary-use wheat by (*a*) restricting the free supply of certificated wheat to less than estimated need, (*b*) making up the difference through the release of CCC stocks at parity, and (*c*) using CCC sales and purchases to offset errors in estimating primary use. The purpose of a futures market is to provide a mechanism for the transfer of risks. Futures trading thrives on price fluctuations. It would dry up under a program that fixed prices within narrow limits.

(11) Would threaten our relations with friendly nations

All farmers—and in fact all Americans—are interested in avoiding programs which threaten to create problems in international relations. All farmers have an interest in avoiding the adoption of any program which invites retaliation by our friends abroad.

Since the productive capacity of American agriculture is far above current domestic needs, farmers have a vital stake in promoting a high level of mutually advantageous international trade.

In the past, countries that protested U.S. wheat export policies have been told that such policies were temporary measures designed to liquidate an accumulated surplus. But the present wheat certificate proposal seeks to make surplus disposal a "primary use" for wheat.

As was pointed out earlier, if this program were put into effect at the present time, the export subsidy on our hard red winter wheat would be almost doubled—from 61 cents to 64 cents currently up to $1.18 to $1.21 per bushel under the proposed certificate plan.

This would increase and intensify the opposition of other wheat exporting countries to unfair U.S. export policies. It would intensify foreign efforts to restrict U.S. exports to giveaway and non-dollar markets. It could lead to retaliatory action against U.S. exports of other farm products.

SUMMARY

The revised certificate plan is an unsound proposal to fix wheat prices in the so-called primary market, by monopolistic control of the supply. It would give everyone who has been growing wheat a share of the market for milling and export wheat without regard to cost of production, type, kind, or quality of wheat produced. It would penalize traditional wheatgrowers who have limited alternatives for the benefit of producers who do have alternatives. It would unfairly subsidize the production of surplus wheat for feed, thereby creating serious problems for the producers of feed grains, livestock, dairy and poultry products. It would also dump "hot wheat," accumulated under past programs, into the feed market without payment of marketing quota penalties. It would

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keep large stocks of wheat in the hands of the CCC for years to come. It would destroy the futures market; almost double the cost of export subsidies on wheat; and impair our international relations.

The CHAIRMAN. Now, Mr. Shuman, you say that the bill presented by the wheat producers, Senator Carlson and others, you say there is no gage in that for quality wheat, there is no way by which the Department could differentiate the good from the bad and give a different price support?

Mr. SHUMAN. Well, you could give a different support, but there is no provision, for taking quality into account in allocating primary-use quotas.

The CHAIRMAN. As I understood Mr. McLain this morning, they have ample authority to give a different price support. Now they have as much as 20 cents a bushel, and that could be increased or decreased.

Well, as I understand your program, in order to make it effective, it would be necessary to have the Congress enact the conservation reserve program as incorporated in bill 3335?

Mr. SHUMAN. Yes, and S. 3336.

The CHAIRMAN. Am I correct?

Mr. SHUMAN. Yes; we think an expanded conservation reserve program is a necessary part of it.

The CHAIRMAN. In other words, you could not, your bill would not, work except if you enacted that?

Mr. SHUMAN. We think that it is very important to do all four things we proposed at once.

The CHAIRMAN. Now, the thing that would be interesting to farmers, of course, would be not to decrease their income. You hear that all around, and I am wondering if you would be good enough to state for the record what, in your opinion, would wheat sell for in 1961 if your bill were enacted just as you have described it.

Mr. SHUMAN. Well, of course, under the proposal that we are making, the market price for wheat would prevail, and this would vary with the different uses or qualities of wheat considerably more than at the present time.

Any estimate is subject to a person's own judgment, and my judgment is that the price for the milling quality wheat, both soft and hard, would be higher under our proposal than it is at the present time.

My judgment also is that the price for wheat, the quality of which would not be in demand for milling—in other words, the kind of wheat which would go into the feed market—would be considerably less. The price of feed wheat probably would be somewhere in the neighborhood of $1.30 or $1.35 a bushel.

The CHAIRMAN. Could you be specific? Let us say your bill is enacted just as you desire it. What would the best quality wheat sell for next year?

Mr. SHUMAN. Well, I think the price of high-quality wheat would be higher than it is at the present time.

The CHAIRMAN. Give us a figure.

Mr. SHUMAN. I have not seen today's market quotation.

The CHAIRMAN. The support price is $1.81.

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Mr. SHUMAN. I think it would be somewhere between $1.80 and $2 a bushel for the good quality wheat—i.e., milling quality wheat.

The CHAIRMAN. And that is by taking the last 3 years' average?

Mr. SHUMAN. This is based on the four points that we have provided, which are the incentive to place more acreage into the conservation reserve, restrictions on the Department's sale of——

The CHAIRMAN. Would this be where you would have a scarcity of wheat?

Mr. SHUMAN. This would have some effect, but would not do it by itself.

Secondly, the CCC would not be able to sell their stocks into the domestic market, and they would be restricted to the current rate of foreign disposals out of CCC—but assuming that they go ahead disposing of it at about the same rate; then, third, that the trade—and this may be one of the most important factors—is that the wheat trade itself would find it necessary to fill their pipeline out of the market.

They could not turn to the Commodity Credit for the reserve supplies as they do now, and there would be a definite bidding in the market to fill this pipeline, in addition to current needs.

The CHAIRMAN. Well now, all this you would accomplish without any marketing quotas or acreage limitations?

Mr. SHUMAN. That is right.

The CHAIRMAN. In other words, you would let the farmers plant all they desire?

Mr. SHUMAN. Or as little as they desire; that is right.

The CHAIRMAN. I am just wondering how you can reach that conclusion that you would get as much or more if you give the farmer the privilege of planting all he wants. I cannot quite see how we would save anything by giving him the opportunity of planting all he wants and still he would get as much, if not more than, he is now getting. I just cannot follow you.

Mr. SHUMAN. Mr. Chairman, the market price of any commodity, when it is permitted to reflect changes is a complicated structure. You cannot pick out any one factor.

But, for purposes of discussion, I would pick two or three factors as being very important. One of them is the one I mentioned—the necessity for the trade to refill the pipeline, which would be a very strong factor in supporting the price of the milling quality grain.

Secondly, would be the uncertainty which the wheatgrower would have as to what the price would be. At the present time there is no uncertainty and, therefore, the incentive for him to plant wheat is great.

In fact, the surplus production of wheat, in my judgment, is more a result of the assurance of price than it is the excessive price-support level.

I never have believed that it was just a matter of the price support being too high. The very fact that it is fixed—it is too high because it does become fixed—is what has produced a surplus.

Therefore, you take away the assurance of a price and you take away the incentive for many producers to raise wheat, and so you get a reduction in production of many kinds of wheat.

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The CHAIRMAN. Well, I rather think you are optimistic on what is going to happen.

Mr. SHUMAN. Well, it does not prove——

The CHAIRMAN. And particularly in reference to price.

Now, what price supports would prevail under your bill?

Mr. SHUMAN. Well, we would relate price supports on wheat to the price support of corn—120 percent of corn price support for the first year.

The CHAIRMAN. How much would that be; do you know?

Mr. SHUMAN. Around $1.28.

Senator YOUNG of North Dakota. That is the first year.

Mr. SHUMAN. That is the first year. After that it would be related to the price support of corn with allowances.

The CHAIRMAN. And it would be lower, it would go further down; would it not?

Mr. SHUMAN. Not necessarily. You would figure it out on the basis of the comparable feeding value, and it probably would come close to that. I do not know whether it would be 110, 115, or 120 percent of the corn support.

The CHAIRMAN. Of course, you visualize that all of the wheat that is now on hand would be locked up; it would not be accessible for sale either for foreign trade or for domestic use?

Mr. SHUMAN. It would be accessible at the present rate for foreign sales under Public Law 480, and gifts at the present rate of disposal. There would be none available for the domestic market.

The CHAIRMAN. What would become of this excess wheat, for the first wheat that would be produced under the bill that you advocate, if all farmers were permitted to plant to their heart's content?

Mr. SHUMAN. It is conceivable that wheat supports on the feed grain price support level might result in the Commodity Credit being required to purchase a small amount.

The CHAIRMAN. What do you mean by "small amount"?

Mr. SHUMAN. Well, I do not suppose that—I would say, perhaps, 10, not over 10 or 15 percent of the present rate, I do not believe that price support at the feed quality wheat level would induce very much excess production.

The CHAIRMAN. To whom would it be sold?

Mr. SHUMAN. To feeders if it is feed quality, and millers for high quality wheat. There is no surplus unless you provide for a Government purchase plan.

The CHAIRMAN. How much more would wheat cost than corn to a feeder?

Mr. SHUMAN. Well, under our proposal it would be approximately 120 percent of the corn price support level.

The CHAIRMAN. And thereafter?

Mr. SHUMAN. After that it would be related to the actual feeding value as compared to corn.

The CHAIRMAN. What would that be; do you know?

Mr. SHUMAN. I cannot give you the exact proportion, but it is somewhere near 120 percent.

Senator YOUNG of North Dakota. Mr. Chairman, if you would yield there, I asked that question of Mr. Martin Sorkin, who was here this morning, of the Department of Agriculture, and he said it would be

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10 to 12 percent higher than the price of corn. Corn is $106 now, which would make the price support of wheat based on the feed equivalent of the value of corn $1.17 and $1.19 a bushel. Of course, they have some adjustments for quality.

Mr. SHUMAN. Of course, the location would have some effect on this, too. But they are in a better position to estimate that than I.

The CHAIRMAN. Well, to what extent would that affect the producers of corn and other feed grains?

Mr. SHUMAN. This would mean that the feed quality of wheat that is produced from the end of the old program on would be selling in competition with corn and other feed grains, as it always did before we had a Government program.

The CHAIRMAN. Do you figure that this program would be cheaper for the Government than the one that is now in effect?

Mr. SHUMAN. Yes, it certainly would.

The CHAIRMAN. How much?

Mr. SHUMAN. Well——

The CHAIRMAN. How do you reach that conclusion?

Mr. SHUMAN. It depends on whether or not you take account of the quantity of wheat that we now have on hand. There would be a period of, perhaps, 8 to 10 years in which we are disposing of the current surplus and we are taking the losses which have been accumulated.

But under this program if you remove this backlog of supplies which must be disposed of, the cost to the Government would be approximately the cost of the conservation reserve contracts that would be carried on to implement the program.

The CHAIRMAN. Would this program cost about what the present conservation program——

Mr. SHUMAN. It would be more than the present program.

The CHAIRMAN. How much would it be at the present?

Mr. SHUMAN. Well, the present program, as I understand, costs around $10 or $11 per acre; we are urging that we go up to 60 million acres by 1963. I would estimate that there would be some slight increase in the cost per acre.

The CHAIRMAN. What do you mean by slight? How much, do you know? In other words, I would like to know how much more it would cost or how far afield we are going as to costs as opposed to what it is now costing.

Mr. SHUMAN. Irrespective of whether a new wheat bill is passed, we propose adding $65 million per year to the present conservation reserve program over a 3-year period, which would be an increase of $195 million. Then we estimate it would take about 17 million acres more on top of this as part of an effective wheat bill. It probably would cost something like, well, total cost of, $400 million over and above current expenditures.

The CHAIRMAN. So that, to sum up your program, it would not work unless we pass a bill similar to 3335, that is the——

Mr. SHUMAN. Yes, S. 3335 and S. 3336.

The CHAIRMAN. And further unless we lock the doors and not permit any of the surplus wheat we now have on hand to be sold except by way of donations and under the Public Law 480 program?

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Mr. SHUMAN. It would work hardships on farmers if we did not take these protective actions.

The CHAIRMAN. If that is true, then it would be necessary.

Mr. SHUMAN. Yes, I consider it necessary that we do all four of the things we recommend.

The CHAIRMAN. You gave us an idea a moment ago of what the farmers would get per bushel for the first year. Could you dip into the future a little bit and tell us what it would come to, in, say, 2 or 3 or 4 years from now if your plan went through?

Mr. SHUMAN. You mean the price of wheat?

The CHAIRMAN. Of the price of wheat to the farmer. How much could he expect, in other words?

Mr. SHUMAN. I think this would depend to a large extent on the movement of the general price level. It depends more on inflation than anything else. If we continue to have inflation the price would go up. If we should have deflation it would go down.

It also would depend on the competitive position of wheat with other feed grains and other——

The CHAIRMAN. What I am driving at, Mr. Shuman, is the income of the farmer.

Mr. SHUMAN. I think it will definitely increase.

The CHAIRMAN. Increase?

Mr. SHUMAN. Yes, sir.

We have had a record here of a long-enough period of time to absolutely know that farm income declines during periods when Government tries to establish prices and control production. This is established.

Now, we also have some good evidence to indicate that the part of the farmer's income which depends upon crops which are not under the Government programs declines less than those which are under it.

The CHAIRMAN. That is the same argument Mr. Benson has been advancing here, and others, for the price support program.

They say meat, there is no price support for meat, but yet if you did not have a stabilizer here in the price of corn and other feed grains, why, there is no telling what your meat price would drop at.

Mr. SHUMAN. I think the price of meat animals would have been higher if we had not had Government programs on feed grains.

The CHAIRMAN. You think so?

Mr. SHUMAN. Yes, sir.

The CHAIRMAN. You mean uncontrolled production of all feeds, feed grains——

Mr. SHUMAN. Yes, sir.

The CHAIRMAN (continuing). That your meat price would be higher?

Mr. SHUMAN. Yes, sir; I believe livestock prices would have averaged higher.

The CHAIRMAN. How do you figure that out?

Mr. SHUMAN. It is my belief.

The CHAIRMAN. It is your belief.

Mr. SHUMAN. Well, the justification for it is that consumers will pay for what they want, and if you produce what they want you will have a higher income.

The CHAIRMAN. I do not want to monopolize all of the time.

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Mr. SHUMAN. And we have not been producing what consumers really want, and that is why our income has been cut.

The CHAIRMAN. What do you produce that you are not producing now? Everything we produce is in abundance.

Mr. SHUMAN. Several hundred million dollars worth of beef were imported into this country in the last several years. We might just as well have been producing that.

Senator YOUNG of North Dakota. You said you think the price of meat would be higher today if it were not for price supports?

Mr. SHUMAN. Meat, I did not say beef; meat, in general, on the average. I think if we had not had the price support programs, the average price of livestock would have been just as high or higher.

Senator YOUNG of North Dakota. You disapprove then of Benson's providing the noncompliance price support for corn in recent years?

Mr. SHUMAN. I think that the noncompliance price support for corn was, perhaps, a necessary step to get rid of an unworkable corn program.

Senator YOUNG of North Dakota. Secretary Benson, in establishing it, said he did it for the purpose of stabilizing the meat prices.

Mr. SHUMAN. We never advocated this step, but after it was taken I think I can see some reasons for it. I would not give this particular reason.

Senator YOUNG of North Dakota. You said a while ago that the price of cash wheat would rise to about $1.80 to $2 a bushel under this program next year.

Mr. SHUMAN. My estimate would be that the price of milling quality wheat under our proposal would be higher than it is now, and I just made an offhand guess it would be somewhere between the present support price of $1.80 up to $2.

Senator YOUNG of North Dakota. If you had, Mr. Shuman, the price of wheat at a $1.80 a bushel in North Dakota, and no production controls, and the price of oats at 40 cents, 50 cents, a bushel, barley about 90 cents a bushel, flax at low prices, practically all of that land would go into wheat.

Mr. SHUMAN. Of course, the price of oats is nowhere near 40 cents. It is nearer 80 cents.

Senator YOUNG of North Dakota. It is about 60 cents in North Dakota, you might say 10 cents above the price support level; all that land would go to wheat, and you would have a real surplus.

Mr. SHUMAN. I think you would see an increase in wheat production in the Dakota-Montana areas, where they can produce high-quality wheat.

I think you would see a very substantial decrease in wheat production in areas which produce feed-quality wheat.

Senator YOUNG of North Dakota. Wouldn't you have also an increase in production in the 15-acre farm areas?

Mr. SHUMAN. Oh, no, definitely not. They would reduce it very drastically.

Senator YOUNG of North Dakota. I do not know how you would figure that we would be at a disadvantage in North Dakota.

Mr. SHUMAN. You produce better quality milling wheat.

Senator YOUNG of North Dakota. Have you any idea what the freight rate from Bismarck, N. Dak., to Chicago is?

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Mr. SHUMAN. No, I do not have the specific figure at hand.

Senator YOUNG of North Dakota. I would think you would have some figure in mind when you make estimates of this kind.

Mr. SHUMAN. We can look it up. The estimate I made of $1.80 to $2 a bushel under a relatively free market—whatever you want to call it—was based on the $1.80 support price, which has not taken into account freight rates either. If you want the specific calculation we can get it for the record, Senator.

Senator YOUNG of North Dakota. I was arguing the point you said that wheat production would increase in the commercial areas like North Dakota, and decrease in the 15-acre farm area. These figures are very interesting. The freight rate from Bismarck to Pittsburgh presently is 92½ cents a hundredweight; from Bismarck to Chicago is 75 cents a hundredweight.

Your farmers in Illinois or Indiana are practically all in this 15-acre area, and the farmer can truck his wheat to the miller. These 15-acre producers of soft wheat have been able to increase their yield per acre more than we have.

Mr. Shuman, I wish you were right, but I think the opposite would be true. We would be out of the business of producing wheat, and I think that may come anyway.

Mr. SHUMAN. I do not think so.

Senator YOUNG of North Dakota. We are just too far from market.

Mr. SHUMAN. There are several other things that have to be taken into consideration, and that is the alternative uses for your land. When there are good alternatives farmers can make switches. You do not have so many alternatives for your land, labor, and capital in some areas in the Dakotas as in some areas where they have expanded wheat production recently the most.

So when the price of wheat drops relative to other prices, the folks with many alternatives switch rapidly, while those with no alternatives stay in production or increase.

Senator YOUNG of North Dakota. Well, there are not many good alternatives many places in the United States. We have a great surplus of corn and a price support of $1.06 a bushel; a surplus of cotton, surplus of most grains with the exception of oats, a surplus of everything. What is a farmer going to switch to?

Mr. SHUMAN. There are wonderful alternatives, Senator. Experience is a good indication as to what might happen. We had this same kind of talk a year ago. I think I was before this committee a little over a year ago, and we had this same kind of talk when the question came up about a reduction in the price support level for other feed grains, oats, barley, rye, grain sorghums, soybeans; we had it 2 years ago when we talked about reducing the price support for dairy products; and dire predictions were made, but they did not come about because farmers made shifts.

The price of some of the these crops was not as high as they were a year ago. Some definitely are higher. Certainly the dairy product price did not go all to pot when the price support was dropped.

The average has been higher for the last year. The average price of soybeans during the fall harvest season was higher than it was a year before under a higher price support.

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Senator YOUNG of North Dakota. You mean there is no surplus of dairy commodities?

Mr. SHUMAN. No. I was talking about all these where the price support was adjusted downward. The price support for corn was adjusted upward.

Senator YOUNG of North Dakota. The dairy supports were not adjusted down.

Mr. SHUMAN. About 3 years ago.

Senator YOUNG of North Dakota. But the price remains at about the same support levels since that time.

Mr. SHUMAN. No, it has been slightly above it most of the time. There is practically none going into surplus stockpile, except a small quantity of dry skim milk. There is practically no butterfat which has gone into CCC.

Senator YOUNG. of North Dakota. We have this tremendous milk program and a program for the disposal of surplus dairy commodities. It is a good program, but one of the most expensive we carry on.

Mr. SHUMAN. The fact remains, though, that farmers can make adjustments, and the very fact we have not been producing the quantity of meat products that this country wants offers a very good opportunity for adjustment.

Senator YOUNG of North Dakota. You would advise farmers to produce more pork and beef then, would you?

Mr. SHUMAN. Well, they have been producing more pork, but there is certainly an opportunity to sell more beef as long as we are buying the quantity we do from Argentina and New Zealand.

Senator YOUNG of North Dakota. I would agree with you if you could stop imports.

I just have one more question. On page 3, Mr. Shuman, under paragraph labeled 2, you say:

> Basic wheat supports, beginning in 1961, on the support level for corn with upward adjustments to reflect differences in weight, nutritive value, and buyer preference. However, wheat would be supported at not less than 120 percent of corn for 1961.

What I wanted to ask is would you explain a little further how you would adjust support levels upward for better quality wheat; that is what you are getting after, are you not?

Mr. SHUMAN. We are not proposing adjusting support levels. We are proposing to drop the price support on wheat to approximately the same as feed grain level. The difference in the quality preferences or values would be reflected in the market on the basis of what people are willing to bid.

There is no attempt to establish price support differentials on the basis of quality. This isn't necessary if you are geared into the market.

Senator YOUNG of North Dakota. With upward adjustments to reflect difference in weight and nutritive value and buyer preference.

Mr. SHUMAN. This is the basis on which we would establish the support value for wheat as compared to corn in the years after 1961.

Senator YOUNG of North Dakota. You do not mean then that you would raise price supports——

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Mr. SHUMAN. They would be tied to corn, which would be geared to the market system.

Senator YOUNG of North Dakota (continuing). For better quality wheat?

Mr. SHUMAN. No; it probably would be somewhat less than 120 percent of the corn price support.

Senator YOUNG of North Dakota. I do not quite understand the statement then, with upward adjustments to reflect the difference in weight, nutritive value.

Mr. SHUMAN. If you try to establish the same price support for field-quality wheat as you do for corn or grain sorghums then you must—in finding what that figure is, whether it is $1.25 or $1.29 or what it is—take into account that a bushel of wheat weighs 60 pounds, and a bushel of corn 56, shell corn basis, and also that wheat has a slightly higher percentage of protein. I cannot give you the detailed analysis, but it does have a higher feeding value, and all these factors are to be taken into account in establishing wheat price supports. That is all that means.

Senator YOUNG of North Dakota. Thank you.

The CHAIRMAN. Senator Holland?

Senator HOLLAND. What inducement do you think would be sufficient to put any substantial amount of good wheatland under the conservation reserve program?

Mr. SHUMAN. I believe, Senator, there would be several inducements. One, of course, is that there are many thousands of acres of almost marginal wheatland which were plowed up from grass or other less intensive uses during the war and postwar period which probably should be put into the conservation reserve. If the owners could receive some income from it while they are transferring it back to these less intensive uses—such as grazing land—they would put it there even if the payment per acre was only about enough to equal their current net income. So the cash payment is a factor.

Another fact—especially if you encourage whole farms—is there are some farms which are not economical units, and I think some of these would go in. It would be a means by which the operator would have some income while attempting to either expand his basic farm unit or go into some other occupation.

Then, of course, I think that the uncertainty of the wheat price itself would encourage many people to say, well, this conservation reserve payment is more certain than the price support under the new program for wheat.

Senator HOLLAND. Would you have any tie-in between acreage under the conservation reserve and limitation of planting?

Mr. SHUMAN. No.

Senator HOLLAND. In other words, a man can put as much as he wanted under the conservation reserve?

Mr. SHUMAN. That is right.

Senator HOLLAND. And then plant more than his present allotment if he had good land, productive land, to plant?

Mr. SHUMAN. That is right. The only offset to that is we do suggest emphasis on taking out whole farms.

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Senator HOLLAND. Well, I confess I do not see anything in the program which would lead to the conclusion that there would be less wheat.

Mr. SHUMAN. The fact that you take out the assurance of price is the major reason that there will be less wheat.

The reason we have all this wheat is not just because a $1.80 is too high for wheat, in my judgment. It is because they know before they plant it that it is going to be $1.80.

A farmer operates something like this—and I have seen it all my life—anytime you eliminate one of the hazards to agriculture, you get increased production in that area of activity. You have the weather hazard, which is one, and the price hazard, too. They are the two principal hazards in agriculture.

You cannot eliminate the weather hazard, but somebody comes along and eliminates the price hazard, and you increase your production of that crop inevitably; and if you reinstitute the price hazard you get a reduction in production.

Senator HOLLAND. But without having any guarantee you are holding forth as a prospect under this program that the price for good wheat would be more than it is now.

Mr. SHUMAN. Yes. I think it would be because of the reduction in production which will come as a result of eliminating the guarantee and the fact that you have so many areas in the United States which cannot, by virtue of their climate, produce the quality wheat that is required for milling—either soft or hard wheat.

Senator HOLLAND. The amount of acres allotted now are the minimum, 55 million, is it not?

Mr. SHUMAN. Yes.

Senator HOLLAND. And the actual planting is less than 60 million?

Mr. SHUMAN. Yes.

Senator HOLLAND. Well now, the maximum planting that took place, the maximum planting went up to about 80 million acres.

Mr. SHUMAN. Yes, at one time.

Senator HOLLAND. Well now, let me outline what seems to me to be rather inconsistent in the program, and I hope I am wrong about it.

First, you think the people who would be tempted to put land under the conservation reserve would be people with the marginal land.

Mr. SHUMAN. Very largely; there would be some of the others.

Senator HOLLAND. Second, there would be no allotments, but the man would be free to plant as much as he wished.

Mr. SHUMAN. Yes. Or as little——

Senator HOLLAND. Third, he would be allowed to do that even though he put substantial acreage under the conservation reserve program?

Mr. SHUMAN. Yes.

Senator HOLLAND. Fourth, under the present planting he is reduced to the lowest acreage that the law permits, whereas we know that the actual acreage planted for the few years ago was substantially a half again as much as the present acreage planted.

Mr. SHUMAN. Yes. Well, let me point this out: There are several things which go into determining the total production of wheat in addition to the weather, things which the farmer can influence.

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Land is only one of them. There are others that are almost as important, if not more important, such as the quantity of commercial fertilizer applied or the type of fallowing practices that are followed or the location on the farm, on the kind of land that he puts into wheat. There are lots of other factors, the amount of labor that he applies to it.

If you eliminate the incentive of the fixed price, some of these inputs do not go in or the amount is reduced.

The CHAIRMAN. Mr. Shuman, that is the vote, and we will have to absent ourselves, and then we will continue.

(A short recess was taken.)

The CHAIRMAN. The committee will come to order.

Senator Hart, have you any questions you would like to ask Mr. Shuman?

Senator HART. Mr. Shuman, Michigan is one of the nontraditional wheat States you are talking about.

Mr. SHUMAN. Yes, sir.

Senator HART. If I were to go home what would I recommend to the Michigan farmer that he diversify into? What is his option?

Mr. SHUMAN. Of course Michigan farmers, fortunately, have more options than farmers in many States. You have a wonderful fruit-growing industry as well as considerable livestock, as well as dairy, as well as some opportunities in crop production.

I do not believe the farmers in Michigan are going to be without opportunities to diversify or to change, and certainly they are not dependent today on wheat; the small quantity that is raised in Michigan, even with the Government incentive that has been in existence, is not enough to cause Michigan farmers any great worry.

Senator HART. It just happens, I think that notwithstanding these other attractive fields, wheat to our Michigan agricultural industry represents the No. 1 crop dollar income.

Mr. SHUMAN. Well, I do not know the specific figure.

Senator HART. I believe that is true.

Mr. SHUMAN. Wheat would not compare in importance with your dairy industry in Michigan.

Senator HART. Just this second thing. I assume you are familiar with the study that was given this committee as a result of the chairman's request of the Department which, I think, was relayed to the agricultural colleges?

Mr. SHUMAN. In general.

Senator HART. As I understand it, you disagree with the conclusions.

Mr. SHUMAN. I do not disagree with the conclusions that the study came up with when you start with the assumptions that were made.

No economic study is any better than the basic assumptions on which it is based.

These assumptions were outlined in advance to the folks who made this study. So far as I know they made a good study—starting from these assumptions—but these assumptions are not in accord with our recommendations nor do I think that they are in accord with the recommendations made by any responsible group.

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Senator HART. Wouldn't that study raise questions as to your conclusion that with the removal of controls prices would be better? And that farm income would be better?

Mr. SHUMAN. Not at all. I think they were studies made as a result of assumptions suggested by Senator Ellender and others. Out at Iowa State University there were studies made with another set of assumptions. From the standpoint of predicting what would happen under a relatively free market price system, I do not think that these studies are a dependable indication of what might happen.

Senator HART. I must acknowledge that they were very persuasive to this member of the committee.

Mr. SHUMAN. Of course, you know as well as I, Senator, that proponents on one side or the other can always make a very good sale if you do not hear the other side.

Senator HART. Well, I did not suspect that those agricultural colleges were proponents for anything. That is what was so especially persuasive about the study.

Mr. SHUMAN. I do not mean to imply that the men who made the study were proponents—but the folks who used the conclusions in the study in many cases are proponents.

You could alter slightly the assumptions used in any of these studies and come out with entirely different results.

Senator HART. Thank you.

Thank you, Mr. Chairman.

Mr. SHUMAN. Thank you.

The CHAIRMAN. Senator Symington?

Senator SYMINGTON. I want to ask, are you in favor of any price supports?

Mr. SHUMAN. Yes. We favor price supports. In fact, this proposal would provide for price supports on wheat related to feed grain price-support levels.

Senator SYMINGTON. What is parity today?

Mr. SHUMAN. You mean on wheat?

Senator SYMINGTON. Yes. What price is 100 percent of parity for wheat.

Mr. SHUMAN. Approximately $2.37 a bushel.

Senator SYMINGTON. What is the support price today?

Mr. SHUMAN. On the basis of about $1.80—I think, $1.78.

Senator SYMINGTON. What do you estimate the price of wheat would be under your plan or bill?

Mr. SHUMAN. I answered that question previously.

Senator SYMINGTON. I am sorry I was not here.

Mr. SHUMAN. I will repeat it. At best, it is an estimate, and I do not claim to be any more infallible than anybody else.

My estimate is that the price of the milling quality wheat, both soft and hard, in the first year would increase above the present price-support level, and that over a period of years the market price will average higher than it has been averaging under the program.

Feed quality wheat, I think, would be substantially lower.

Senator SYMINGTON. What do you think it would be? What would be the price comparable to the $1.80, the present price?

Mr. SHUMAN. For feed-type wheat? Probably in the neighborhood of from $1.20 to $1.40.

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Senator SYMINGTON. Here is a report that was made to the chairman of this committee by the Department of Agriculture, entitled "Farm Price and Income Projections Under Conditions Approximating Free Production and Marketing of Agricultural Commodities." The first paragraph of the report say that wheat would go to 90 cents a bushel. Isn't it a fact that the price support based on a 3-year average is a free market?

Mr. SHUMAN. I did not hear you; I beg your pardon.

Senator SYMINGTON. I say, this study is made on the basis of conditions approximating free production and the marketing of agricultural commodities.

Mr. SHUMAN. Well, this study was made with certain specific assumptions which, in my judgment, are not realistic; as a consequence, the projected prices do not approximate free market prices that would occur under the market price system.

Senator SYMINGTON. Well, if you have to go on the basis of some percentage of the 3-year average, you are getting yourself into the free market, are you not?

Mr. SHUMAN. It is moving in the direction of the market price system. The term "free market" implies that there are no price supports or anything else, and certainly we have not advocated the completely free market.

There are not many places where you have completely free markets. Relatively free market, yes; market price system, yes—that is the direction in which we propose to go.

Senator SYMINGTON. Well, you would continue to operate on some percentage of the average price for the previous 3 years.

Mr. SHUMAN. Yes——

Senator SYMINGTON. Isn't that, in effect, moving toward a free market?

Mr. SHUMAN. It would approach it, but it would not be—no, as long as you have price supports, you do not have a free market.

Senator SYMINGTON. Well then, I will put it to you this way: Would you consider this Department of Agriculture report "solid" when it says, under the conditions of free production and marketing, you are going to end up with 90-cent wheat?

Mr. SHUMAN. No; I do not think that this is a valid prediction at all. On the basis of what we are proposing now, that is not a valid prediction.

The assumptions that they start with may have merit, but we are not proposing that we start out with these assumptions nor have we proposed a program which would justify these assumptions.

Senator SYMINGTON. Are you from Illinois?

Mr. SHUMAN. Yes.

Senator SYMINGTON. That is next to my State. What do you think is the break-even point on wheat in my State?

Mr. SHUMAN. You mean as far as cost of production?

Senator SYMINGTON. I am talking about the average farm, not a giant farm, but an efficient family farm.

Mr. SHUMAN. It depends entirely upon the operator and his costs. If he is on land with taxes such as ours, where the taxes run about $5 an acre, I suspect the costs are, if he could average 40 bushels to the

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acre, I suspect that his break-even price is not too much different from $1.70, $1.80 a bushel.

Senator SYMINGTON. Would that be true on the 15-acre farm?

Mr. SHUMAN. Yes; that is what I am thinking of, a farm with a small wheat acreage.

In the case of lower cost operators—with lower taxes, for example—I think this could be as low as $1.25, maybe lower.

Senator SYMINGTON. I might comment that we have taxes in our State just as you do in yours. How is a man, if the price of wheat, based on your program, goes to $1.30, how is a man going to make a living when his break-even point is $1.70?

Mr. SHUMAN. Fellows who cannot produce it for that will change to something else, and those who can will continue.

Senator SYMINGTON. Well, what will they change to, have you any offhand thoughts about that?

Mr. SHUMAN. Well, it depends entirely on where they are located and what the alternates are.

In my area they will change to the production of the other crops that we used to raise before we had the Government program that caused us to increase from 120 wheat producers in my county to over 1,200.

Senator SYMINGTON. What crops would that be?

Mr. SHUMAN. Well, there were several crops—corn, soybeans, oats, livestock.

Senator SYMINGTON. Do you know what the corn situation is? Do you think it would be wise for a man today to shift from wheat to corn?

Mr. SHUMAN. Some farmers; yes. The ones who can raise corn more economically and at a better profit certainly should shift to it, and those that cannot should shift to something they can do more economically.

Senator SYMINGTON. What is the 100 percent parity price on corn?

Mr. SHUMAN. I do not know what it is.

Senator SYMINGTON. I think it is $1.63 or $1.64. What is the price of corn today?

Mr. SHUMAN. Well, it was around $1.05 to $1.08 the last time I checked.

Senator SYMINGTON. It is about $1.05.

Would you want a fellow to shift from corn, wheat to corn, and get $1.05 corn?

Mr. SHUMAN. Of course, your question is based on the assumption that the price of corn is fixed when it may not be. I do not think that anyone can tell what the market price of corn should be next year. The price of corn should be what will produce the necessary quantities of corn—and it might be 85 cents or it might be $1.25. Whichever one the market price system results in, that is the right price in the long run.

Senator SYMINGTON. Of course, if there are no controls and no price supports—or supports based on the average price—there is a better chance of the price falling rather than rising. According to this Department of Agriculture report, Senate Document 77, the price

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of corn would drop to 80 cents per bushel if we go to a free market on corn. I do not understand why you want farmers to shift from wheat to corn.

Mr. SHUMAN. Well, some folks will shift from wheat to corn, and some, under our proposal, will shift from corn to wheat.

Our proposal is directed toward letting the farmer himself decide, because only the farmer can make the right decision as he attempts and does balance out his costs as compared to what his prospective income is, and no Government program can succeed in telling the farmer what he should raise to get the best income. It has not done it so far, and it never will, in my judgment.

Senator SYMINGTON. What do you think about tariffs?

Mr. SHUMAN. We have supported reciprocal trade agreements and the downward adjustments of tariff structures. We are very strongly opposed to increasing tariffs.

Senator SYMINGTON. My question was: Do you think we should have a tariff, for example, to protect the price of a tractor a farmer buys?

Mr. SHUMAN. No, sir. As far as I know, there is no price or tariff on importation of tractors.

Senator SYMINGTON. You think, therefore that we should compete with the wages of Japan, and other industrialized countries, without a tariff protection for our manufacturers?

Mr. SHUMAN. As I indicated, as far as I know, we have no tariffs on tractors. We believe, of course, that there may be some kinds of industry which might justify some tariff protection for a while, but we should gradually reduce tariff barriers. This is the best way to help control farmers' costs.

Senator SYMINGTON. Do you believe in the minimum wage law?

Mr. SHUMAN. No, we were opposed to the minimum wage law in its beginning, and we are opposed to any increase in it now.

Senator SYMINGTON. Do you approve of any tariffs?

Mr. SHUMAN. We would move in the direction of eliminating all tariffs. You cannot eliminate them all at once. This would be our position.

Senator SYMINGTON. Therefore, you approve of some tariffs, is that right?

Mr. SHUMAN. Well, I do not know of any I can think of that we would approve over a long term.

Senator SYMINGTON. Would you approve of the tariff on the fertilizer that the farmer buys, for instance? Or do you think he ought to compete with the low labor rates in Formosa or Japan?

Mr. SHUMAN. We are not for a tariff on fertilizer. Farm costs are already too high.

Senator SYMINGTON. My point is, you are the head of a major farm organization and you come in here consistently with programs that reduce farm prices and income.

Mr. SHUMAN. I object to that, Senator, because this is not a true statement of our position at all.

Senator SYMINGTON. I want to be accurate. But I can't recall any program that you have recommended that the farmers in my State did not think would affect their prices or income in a negative way.

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If you can show me a program on crops that are important in my State, where you would recommend a higher price, I would appreciate your clarifying me on it because I want to be accurate.

Mr. SHUMAN. This wheat program, Senator, in my opinion—and in the opinion of many farmers in your State—would result in higher prices for the wheatgrowers of the traditional wheat area.

Senator SYMINGTON. Would you call Missouri a traditional wheat area?

Mr. SHUMAN. Yes, sir; part of it is.

Senator SYMINGTON. What part of it would you say wheatgrowers could make money on at $1.30 a bushel?

Mr. SHUMAN. We did not say that.

Senator SYMINGTON. You said you figured the price would be $1.30.

Mr. SHUMAN. We have been talking about many kinds of wheat—Missouri can produce milling quality wheat in part of your State—and this price would be much higher than that. It would be higher than at the present time, in my judgment.

This is a program for improved prices for farm products and improved income. Our program is definitely a program to reverse the trend which has been going on for the last 8 or 10 years under these programs, which the Congress has substantially carried on almost intact.

Senator SYMINGTON. I was up in South Dakota the other day, and farmers there told me that their income last year dropped 35 percent. They had only one consolation—that it was even worse in North Dakota. There it dropped 36 percent. I am just wondering if you think the program that you advocate here would improve that situation?

Mr. SHUMAN. Yes, sir; very definitely and very positively. I believe that this program that we are advocating would reverse this trend of lower prices and lower income in agriculture. Certainly, the fact that this has occurred during a period of time when we have had controls and price-fixing devices ought to demonstrate to everybody that this other route is not successful.

Senator SYMINGTON. No fairminded person would say that we have had sensible production adjustment programs or effective administration of our farm programs in recent years. Therefore, the last few years is no fair test of the effectiveness of controls. Farmers now make up 12 percent of our population but only get 3 percent of our national income. This is getting to be a problem of conscience for all Americans.

In my State, my farmers are not doing well. The reason is, they say, because the Department of Agriculture is doing everything it can to lower the price supports. At the same time, it is makng the program look silly by poor administration. You still want to further lower the price supports; I do not see how you can lower the price supports and at the same time increase the prices. It is a mystery to me.

Mr. SHUMAN. This mystery ought not to be too deep. If you take a look at the experience we have had, where we reduced price supports a year ago on barley, rice, soybeans, and 2 years ago on manufactured dairy products—if you took the weighted average of all

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these products, you would find that the price in the market has gone up as a result of the lower price supports.

Senator SYMINGTON. Well, I shall study that and examine it, particularly in relation to the administration's corn program, and I appreciate your bringing it up.

There is one thing I would like to ask you. I know that Senator Young knows a lot more about wheat than I do; he knows a lot more about wheat than most people do. If your bill is the right bill for North Dakota wheat farmers, why is he opposed to it?

Mr. SHUMAN. Senator Young can answer this better than I. It has been quite a mystery to me, too.

Senator YOUNG of North Dakota. Because I think it would mean $1.25 wheat. That is why I am opposed to it.

Mr. SHUMAN. I do not think there would be any possibility of that. I think North Dakota farmers would increase their income on the wheat they would sell under this proposal, as opposed to the other proposals. But this is just an opinion projected into the future, just the same as some of these studies are a matter of opinion.

Senator SYMINGTON. I have had a little experience in the business world, and agriculture is not entirely divorced from business. It involves profit and loss, inventory, depreciation.

Last year, farm operators' net income was lower in terms of purchasing power, than in 1940. It was lower than 1910 and, as I have said, lower than it has been for over 20 years. As far as my farmers are concerned, the operation is successful, but the patient died. They have less purchasing power.

I do not see how you can expect a farmer who has no control over the price at which he buys and no control over price at which he sells to make a living off the land. It is getting to a point where these conditions are driving millions of people off the farms. Pretty soon, if this continues, we shall not have any family-sized farms left.

What I cannot understand is how you expect to increase the price to the farmer by lowering the price supports, any more than you would expect to increase protection to the businessman by lowering the tariffs, or you would expect to increase the wages to a workingman by lowering the minimum wage. It just attacks my sense of what is commonsense.

Mr. SHUMAN. It depends, of course, upon whether or not you consider the Government price as the price—whether you consider income dependent entirely upon price—or whether you consider it dependent upon price times the amount of production, minus expenses.

Of course, this has been argued before this committee many, many times. This matter of the family farm and its opportunities and the fact that the number of farm operators has been declining is not new. It has been declining for 150 years—and at about the same rate—and probably it will go on declining for some time.

Certainly, as farmers become more productive, just the same as labor has become more productive, the number required to produce the food is reduced just the same as the number of laborers required to produce automobiles has gone down in about the same proportion in the last few years. These are things that are going on. The

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thing I am interested in as the leader of a farm organization is the net incomes of farm families, and I think that is what Members of Congress ought to be interested in, and most of them are.

If you take a look, a realistic look, at the situation, you will conclude that farm income has declined, except for war periods, all through this period of experiments at controlling production and fixing price. Therefore, perhaps we ought to return to the market price system that—the last time it was in operation, i.e., 1910 to 1914, provided one of the most prosperous times in the history of American agriculture.

That is the last time the market price system was permitted to work in agriculture.

Senator SYMINGTON. Mr. Chairman, I would like to say that the president of the largest organization in my State could not disagree any more with the concept of the bill the witness presents—I am talking about Mr. Fred Hinkel, president of the Missouri Farm Association. He thinks this wheat bill is going to guarantee lower prices to agriculture.

Each year, this same approach—lower and lower price supports—has come up before the committee on various crops. That has been his position, and so far, to the best of my knowledge, he has been proven solidly right in his position.

I should like to ask this question: Do you feel there is any moral obligation on the part of the Government in a democratic society with respect to farm people who have been put out of business, or do you believe that if they cannot make a living off the farms they ought to go into the cities and try to get work?

Mr. SHUMAN. Certainly the Government has a moral obligation to its citizens. That obligation, I think, is to create the most favorable climate possible for individual citizens to have the opportunity to make a decent income—not to guarantee them an income, but to give them the opportunity. This is what we are talking about, improved opportunity for farmers to make a good income.

Now, I have the highest regard for Fred Heinkel. The Missouri Farmers Association is a successful cooperative business organization in Missouri. As an organization to speak for farmers in the area of legislation affecting their income, I think that they have great competence as a cooperative. I am not going to agree that they have competence in this legislative field, because they are limited to one particular area.

Senator SYMINGTON. What other field?

Mr. SHUMAN. I meant cooperative business operations. They have earned the respect of everybody in their business operations. They are primarily a cooperative, Senator.

Senator SYMINGTON. But I say that as a co-op they are trying to represent their members and do what is right for them. They believe if you are going to support industry with tariffs; if you are going to guarantee anybody in interstate commerce a minimum wage by law, you ought to have some price support for the farmer. And not supports that are continually dropping year to year.

There, I think, is Mr. Heinkel's position.

Mr. SHUMAN. This sounds like a very reasonable argument, except when you examine the history of the attempts of Government to make

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more favorable income to farmers, bring more favorable income to farmers by fixing prices and controlling production, you find that it is the opposite that takes place. The more Government interferes with pricing and the more they interfere with the decision as to what to produce, the more farm income is lowered.

Senator SYMINGTON. Then you would like the Government to get out of price-support programs entirely?

Mr. SHUMAN. I think the Government should get out of the business of trying to fix prices in agriculture as rapidly as possible.

Senator SYMINGTON. Just let the farmer decide——

Mr. SHUMAN. No, we are for price supports which will encourage orderly marketing—and prevent collapse. There is quite a difference. You can have a price support which does not fix prices if you get it at such a level that it does not operate every year.

Senator SYMINGTON. You mean a price support that is so low that it does not support, then?

Mr. SHUMAN. Operational only in times of difficulty.

Senator SYMINGTON. Disaster and so forth?

Mr. SHUMAN. Yes.

Senator SYMINGTON. What would you say would be the wheat price support you would not want to go below?

Mr. SHUMAN. We have suggested the use of relating price supports on wheat to the price support on feed grains. The corn price support is based upon 90 percent of the 3-year average market price.

Senator SYMINGTON. Well, price support on corn is $1.05, and the price of wheat is $1.80. What do you think would be the price they should have in those cases that would be satisfactory?

Mr. SHUMAN. The price support, as we suggested for the first year, would be about $1.28 for wheat, and the market price on the better grade wheat, milling quality wheat, would be much higher.

Senator SYMINGTON. Do you think with a price support of $1.28, you would improve the price of $1.80 on wheat?

Mr. SHUMAN. I did not get the question.

Senator SYMINGTON. Do you think that with a price support of $1.28, you would improve the price of $1.80 on wheat?

Mr. SHUMAN. Yes, I do. I believe that the price, under the market system, of the better quality would go above that.

Senator SYMINGTON. Why not cut it to $1 and improve it still further?

Mr. SHUMAN. The market price does not necessarily relate to the price support. The price support has nothing to do with the price of millable wheat, if you get it far enough down.

Senator SYMINGTON. Why not put it at a quarter, and then you would eliminate the problem entirely?

Mr. SHUMAN. Well, there are times, of course, when we have a temporary collapse of the market, where it would be useful on the basis we have proposed.

Senator SYMINGTON. Well, if I follow your thinking, the low-cost producer is the person that the Government is protecting, and the average-cost producer, who has limited funds and limited acreage, is the fellow you think the Government should throw to the wolves?

Mr. SHUMAN. I do not think you should throw anybody to the wolves—and you do not under the market system. You let the indi-

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vidual farm family decide. If a farmer can produce at a particular price, he does; those who cannot produce at that price, produce something else. This is the way we have always gotten ahead in this country, and this is the reason why, in the last 10 or 12 years, we have gone backwards in agriculture. It is not because of any one thing, but the biggest single reason is because of the general policy of attempting to fix prices and allocate production.

Senator SYMINGTON. I do not agree with you on that.

Mr. SHUMAN. I realize that.

Senator SYMINGTON. I think the reason we have gone backward in agriculture is because we have had people in the administration who have done everything possible to improve the position of business and of banking and of the workingman but the people who are supposed to be working for the farmer have done everything possible to lower farm prices—and, unfortunately, they have been successful.

I just cannot understand it. One would think the Secretary of Agriculture would do something to help the farmers' price instead of letting it go down even further.

Ever since I have been in Congress, price supports have been falling and prices have been falling. Now, as I understand your testimony, you are saying that if price supports were eliminated entirely, prices would go back up and I am a son-of-a-gun if I can understand that.

Mr. SHUMAN. History is such as to prove my contention.

Senator SYMINGTON. History of this country, or of what country?

Mr. SHUMAN. This country.

The CHAIRMAN. May I say this to Mr. Shuman, that according to a study that was made in 1958, cash receipts from the sale of commodities subject to both control and support accounted for only 21 percent of the farmers' income. Now, if it is that small, and all of the rest of them are not controlled, how can you say that this program has so affected the farmers? I just cannot follow you.

Mr. SHUMAN. Somewhere between 20 and 24 percent of the agricultural production is subject to these price-fixing programs, but these are very important parts of our agricultural economy.

The CHAIRMAN. But it is less than a fifth of what the farmer receives.

Mr. SHUMAN. The diverted acreage from these price-fixed crops is dumped onto other producers. This is where the tremendous maleffect of the programs has been.

I do not think there is any question but what our surplus production—our $9 billion surplus production, plus the decline in farm income—is a direct result and chargeable primarily to the programs which have been in effect to attempt to fix price and control production. Of course, there are other contributing factors, too.

Now, with respect to Senator Symington's point that everybody else has price support and subsidides, that is partially true, but the real question is, Are they benefiting them any more than they have farmers? My answer is "No." Take a look at the automobile industry, and steel, where they had the benefit of tariffs and minimum wages, and all these devices. The reduction in income in the automobile industry is almost as great or greater than in agriculture.

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Senator SYMINGTON. The average per capita income of a farmer, including his nonfarm income, is less than $1,000 per year. In other words, after he finishes farming all day, he goes into town and works as a janitor all night, and many of them do, then he can earn about $1,000—half of the average per capita income of nonfarm people.

I have apprehensions, too, about the problems of the automobile industry, just as you have. But surely, you do not want to compare the people in the automobile business, from the standpoint of their earning capacity and their way of life, to the average family-sized farmer?

Mr. SHUMAN. I am not sure, Senator, if the average was taken of all of the auto workers, but what their reduction in income would be greater than that of the farmers.

Senator SYMINGTON. If you want to say that is true, you may. But I do not, in any case, think that two wrongs make a right. The fact that people in the automobile or the steel industry are out of work is no justification for what I think is a cockeyed farm setup.

Mr. SHUMAN. I agree with you.

Senator SYMINGTON. But I would like to point this out to you. There has been a lot of talk about high price supports resulting in higher prices of food. There have been a lot of efforts made in urban centers to blame price supports for increases in food prices.

The truth of the matter is that the farmer's percentage of the consumers' food dollar is now lower than it has been for over 20 years. In my opinion, it is going to get lower as the profits of the processor and the retailer increase unless we make some sense out of this farm situation.

I want to point out one other thing on this business of shifting from one crop to another. It is very easy in the stock market to get out of rails into steel, or to get out of oil into airlines. But when you have a dairy farm and dairy prices go down and dairy business gets bad, you cannot snap your fingers and get into another commodity. You have this idea of everybody shifting to another crop—which they can produce better—naturally, that is bound to increase the total production of all crops.

Mr. SHUMAN. I do not agree.

Senator SYMINGTON. If everybody shifts to the thing they can produce the most efficiently, you are automatically going to increase the surplus we have.

Certainly, that would be true in the hard line industry, which is something I know something about. It would be true on the farm, too.

Mr. SHUMAN. It just has not proven to be that way, and the shifts come, as you have pointed out quite truly, the shifts in agriculture come at different speeds. But the shifts do come. They do not necessarily result in a total increased production.

In fact, the incentives of these guaranteed prices—and you will notice I am saying the incentive of the price guarantee, and I think it is a greater factor than whether the price level guaranteed was too high or not—has created greater forces to increase production than any other single factor in the situation, including the new technology and everything else.

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This mistake was made by many of us. I am not saying this was one single mistake. We in agriculture—many of us were in this—had this theory of saying, as you said, two wrongs do not make a right. We thought that because industry had tariffs and labor had minimum wages and other things, farmers were justified in having the Government fix prices for agriculture.

We found out to our sorrow that it resulted in reduced income. The record is clear. It cannot be disputed. Farm income has gone down during the years we have had these laws on the books. Now it is time to try something else.

Senator SYMINGTON. Mr. Chairman, I want to make one final comment. As I understand it, the total number of working people in the United States available for jobs increases about 1 percent a year. The productive capacity, due to the genius of the American people, increases about 3 percent a year. Therefore, we have to increase our gross national product, or national income, 4 percent a year in order to stay even, in effect, and more than that if you are going to improve your position.

Now, we are not increasing our gross national product anything like 4 percent a year. As a result of that, we are bound to have more industrial unemployment because of these agricultural policies; we are going to have more agricultural unemployment. Therefore, you are going to have a steady increase in the unemployment picture in the country. I notice that the steel industry maintains prices good enough that the profits of the steel industry, after 160 days' idleness, were more in 1959 than they were in 1958.

I also notice that we are already now down to 80 percent of steel production, last week. If we are just going to dismiss the family-sized farm, I can see how a man with 100,000 acres can go out with tractors and other farm machinery and so forth, can make a living with lower prices than a fellow who has no comparable spread to that. But it seems to me that we had better face up in this country to the problem of people as well as to the problem of profit and loss. That is what I think we are talking about here today.

I thank the Chair.

Mr. SHUMAN. I would like to make this statement on the family-sized farm matter. There is no evidence that the family-sized farm is not able to compete. The best way to destroy the family-sized farm, in my judgment, is to continue the kind of Government programs we have had.

Senator SYMINGTON. As long as you have said that, how do you correlate that with the fact that millions of people have left the farm in the past several years?

Mr. SHUMAN. They have been leaving the farm at the same rate over the last 80, 90, or 100 years. There has not been any marked increase. Over a 10-year period, it is about the same, I think, as it was the previous 10 years. This is the result of increased mechanization, just the same as increased mechanization and automation in industry have let folks leave handwork industry.

Senator SYMINGTON. How can you say that a family-sized farm can have the same mechanization that an industrial farm does?

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Mr. SHUMAN. Well, it actually does. We have mechanized the family farms in this country, and there is no decrease in the proportion of family-operated farms. It has been about 97 or 98 percent of the total.

Senator SYMINGTON. Let me tell you something I did. With the aid of the farm agency in my State, I went down to the ideal farmer, the average, family-sized farmer in my State of Missouri. He and I got together and we got into his books alone.

He looked up and said, "I want to prove to you that I am supposed to be the best farmer in this part of Missouri, and the figures proved to me that I am going broke."

Exactly the same thing was written by a very able woman who, with her husband, was a graduate of an agricultural college some several years ago in Missouri, and 2 or 3 weeks ago, exactly the same story was written in a Saturday Evening Post, by a lady named Mrs. Mary Conger in southeast Kansas. They had plenty of money when they started, they have done their level best to make a go of it, she explained why in great detail—why, in spite of all the theory and the graphs and the charts, they were being thrown onto an open market and they could not make a go of it. I do not know if you read the story or not, but it impressed me.

It was in the Saturday Evening Post of April 9, just 2 weeks ago. It certainly impressed me. It was not one of my farmers, it was a Kansas farmer. But it is exactly what is going on all over my State.

I am as sure of this as I am of anything I have ever been sure of in my life, that if this thing is going on in some of the States where the crops are in good shape because of compensatory payments or quotas or market support, and they have an edge on the rest of the average farmers, if this situation goes on, the family farmers in my State and other States are going to be eliminated from agriculture.

Mr. SHUMAN. Well, of course, Senator, I agree with you that farm income is down and down unjustifiably. I agree that it should be corrected.

So far, there has been no decline in the proportion of family-operated farms. But there will be if we continue these unworkable Government farm programs.

Senator SYMINGTON. I shall tell you one reason for that, and it is very simple. You get a fellow operating a farm, and he is working off capital, because his farm is steadily increasing in value, because of the lightening in the value of the dollar, and he can borrow more money at the bank.

There are a great many farmers who are going heavier and heavier into debt because the banks will lend them more money based on the capital. The value of the farm is only, to me, what you can earn off it, and the fact that you have a higher capitalization and therefore can borrow more money to stay on a little longer is not going to solve this problem.

Declining income and the purchasing power of that income is what the farmer is faced with today.

Mr. SHUMAN. That is right.

The CHAIRMAN. I wonder if we can go back to the business before us.

Senator Hickenlooper, do you have any questions?

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Senator HICKENLOOPER. No, sir, I have no questions. But we have had a lot of discussion here on the family-sized farm. I just wondered, what is a family-sized farm? What is a family farm? What is the definition of a family-sized farm?

Mr. SHUMAN. I suppose everyone has a different definition, Senator. I assume it is an operation which is managed and fairly well owned and financed by the family. I do not think the family-sized farm is necessarily one that does not hire any hired labor. I think the way you have to define it is more or less on the ownership and operation.

The fact of the matter is that the hired workers used in agriculture have been declining quite markedly during recent years, which indicates that the "factory in the field"—or the corporate type of farm—is declining. The trend is not in that direction at all.

Senator HICKENLOOPER. That is true out our way.

Senator HOLLAND. It is true everywhere, just as it is harder to get people to do domestic work. I think the housewives of the Nation today have to do a lot more work than ever because they cannot get dependable help.

Senator HICKENLOOPER. I think a lot of this discussion mixes us up because we do not have the same thing to talk about. A family-sized farm of 10 acres and a mule is one thing, and a family-sized farm out our way, where 320 acres can be run by a family with a little occasional hired help is another thing. I am not sure exactly what the yardstick of a family-sized farm is in our country, unless you take it area by area.

The CHAIRMAN. It depends upon the location and what is grown.

Senator HICKENLOOPER. Certainly, and then you get further into these problems. Are you tailoring a farm program to fit the so-called family-sized farm that consists of 10 or 12 acres, or are you tailoring it to fit a family-sized farm in a diversified area, or are you tailoring it to fit an area where you have highly specialized crops and other conditions? It is like adding apples and oranges and trying to get eggs. This does not always add up.

Senator HOLLAND. I just want to say that as far as the general philosophy of Mr. Shuman goes, as stated here, I believe implicitly as he does that the trouble in most of the basic industry is caused by the price-support structure, and that the level of price supports has been much too high. In the days back under the Roosevelt administration, the top was 75 and it was aimed at somewhat the same problem that Mr. Shuman has mentioned.

In my State, every agricultural industry that does not have price supports is in good shape. Most of them not only have not had a reduction of their purchasing power, but it is way up as compared to other years, and the only ones that are in bad shape, which happily are just a few, because we do not have many price-supported industries, are the ones that are in these national price-supported industries.

My difference with you, Mr. Shuman, is on this particular wheat problem. I do not see that your program, beginning as we do with a billion and a half bushels, which is the almost unsurmountable problem that we have to surmount somehow, will bring relief. Now, that is the thing that I disagree with you on.

The CHAIRMAN. That is what got me when we first heard it.

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Now, Mr. Shuman, I wonder, have you read the Hickenlooper bill?

Mr. SHUMAN. Which one?

Oh, you mean our bill?

Senator HICKENLOOPER. Yes, that is your bill.

Mr. SHUMAN. Yes, I have read it.

Senator HICKENLOOPER. With which, incidentally, I am in general agreement, I assure you.

The CHAIRMAN. I presume you have read the bill that I have introduced?

Mr. SCHUMAN. Yes, sir.

The CHAIRMAN. And you would be against that?

Mr. SHUMAN. Let me say to start with that I recognize that you recognize some of the weaknesses of the present program, because you are suggesting that you cannot raise price supports and get away from the old surplus creating program. You recognize the need for tighter controls if you go the "control route." But we would not be for this approach, because we think that ours is a preferable approach.

The CHAIRMAN. I understand that, but suppose we cannot put yours through. Suppose we cannot get the Carlson bill through. Would this not be better than nothing?

Mr. SHUMAN. Well, I am not sure that I would agree that it would be better than nothing at this stage. It certainly is better than the Carlson bill.

The CHAIRMAN. Better than what we have, let us put it this way.

Mr. SHUMAN. Perhaps it would be some improvement over what we have, but we certainly think there is a need to do much better.

The CHAIRMAN. I understand that. I wish we could have our individual ways here. But when you sit at the head of this table, with 16 Senators around there all saying, well, it ought to be this way and another fellow says that way, and you come in and say another way and somebody else says another way, why, it is very confusing. It is very difficult to get a bill hammered out.

Senator Schoppel, have you any questions?

Senator SCHOEPPEL. I have two or three matters here.

Mr. Shuman, in your statement, you were talking about stock held by the Commodity Credit Corporation would be worked off under 480, or some programs that the Government has overseas?

Mr. SHUMAN. Yes.

Senator SCHOEPPEL. Now, of course, it would necessarily follow that the storage factor, or prices paid for storage, would continue, then, would they not, until that was worked off?

Mr. SHUMAN. Yes, the cost of storage would continue.

Senator SCHOEPPEL. You do not see any continual reduction of the storage factor prices for a while?

Mr. SHUMAN. I think it would be reduced as you got rid of it. I think it may take 8 or 10 years—each year you would reduce the quantity but you would have the per unit cost continue.

Senator SCHOEPPEL. It would remain pretty costly on the per unit cost.

I notice over on page 8, where you said it would permit summer fallow to be placed in the soil bank on a 1-year basis, I know that in my State of Kansas, we have many sections in my State where summer fallowing has been in effect for a good many years. Yet

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these farmers, who have followed the best accredited practices of the agricultural colleges on rotation, have been penalized. Had they been operating under a continuous year-to-year cropping, they would have established, in the historical wheat areas, an entirely different acreage basis. By summer fallowing a part of their land, acres have been usurped and lost to us. A lot of other sections have gone into a multiple, 15-acre tract in the production of wheat as the price supports are higher. Do you not feel there should be some adjustment in those areas where summer fallow practices have penalized many, many thousands of our farmers?

Mr. SHUMAN. I think you can make a very good case for this.

Senator SCHOEPPEL. Those of us who have advocated some equitable approach to this thing have never been able to get a readjustment on that basis, which seems to me unfair. I see nothing in these bills which will readjust on that basis, if we are going to have these controls.

Mr. SHUMAN. That is true. This is one of the advantages of our approach, because it permits the fellow to go back to following the practices which are best for him.

The CHAIRMAN. Are there any further questions?

Senator Young?

Senator YOUNG of North Dakota. Yes.

Mr. Shuman, the National Soft Wheat Millers Association sent a letter to all members of the committee, signed by Mr. James I. Skidmore, chairman of the Grain Legislative Committee. I would like to have your reaction to some of the points he makes on the 15-acre provision.

His first point is that soft wheat is a particular kind of wheat needed for particular purposes, in which there is no satisfactory substitute. Would you agree to that?

Mr. SHUMAN. Yes, that is largely true.

Senator YOUNG of North Dakota. The wheat you raise in Illinois and practically all of the eastern half of the United States is soft wheat, is it not?

Mr. SHUMAN. Soft or mixed. Much of our wheat is mixed.

Senator YOUNG of North Dakota. The second point is that there is no surplus of soft wheat in the eastern half of the United States. Present production is barely adequate for historically proven needs.

Mr. SHUMAN. I think that is generally true.

Senator YOUNG of North Dakota. If that is generally true, how do you figure these 15-acre people are going to go out of business and let us produce wheat?

Mr. SHUMAN. Many of the 15-acre fellows, the wheat they produce will not grade true Soft wheat. It is mostly wheat from Hard wheat varieties, and then, due to climate and other factors, becomes "yellow belly," or something else, which is usually sold for Mixed wheat.

Senator YOUNG of North Dakota. I think it is part of their argument that there is less surplus of soft wheat produced in the 15-acre area than there is any other type of wheat; is that not true?

Mr. SHUMAN. There is a lot of Hard wheat produced by 15-acre producers, too, but I think—yes, it is true it is in this general area where the Soft wheat comes from, but not all the 15-acre people can produce Soft wheat, or are producing it.

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Senator YOUNG of North Dakota. The third point, the present production of these small farms is absolutely essential to the maintenance of minimum stocks of Soft wheat. Even the present inadequate production is achieved only by use of the 15-acre exemption from quotas.

Mr. SHUMAN. I do not agree with this at all, because if you went to the market price system you would find that the price would reflect the demand; the demand would result in a higher price for the Soft wheat, and you would find that the folks who could produce it would increase their production to meet that demand if they received an attractive price. So I do not think there is any connection between the program and the shortage of Soft wheat, except that, under the present program, all wheat tends to get about the same price.

Currently, there is little point in trying to produce for a specialized market.

Senator YOUNG of North Dakota. The fifth point he makes, and the last one, is any revision in legislation which cuts back small farm acreage is certain to be harmful to Soft wheat supplies. It easily could be disastrous.

Mr. SHUMAN. I do not agree with that at all. I think we would have a greater incentive to produce the good quality Soft wheat and a lesser incentive to produce the Mixed kinds.

Senator YOUNG of North Dakota. Well, now, if practically all of the Soft wheat is being used, as they advocate, which I think is substantially correct, and if you cut back on this 15-acre production, which you say will occur if the 15-acre program goes into effect, where are these millers going to get this Soft wheat?

Mr. SHUMAN. There will be plenty of Soft wheat produced if there is a price to justify its production. There will be if there is a demand for it.

Senator YOUNG of North Dakota. I do not quite get your argument. According to them, there is no surplus now.

Mr. SHUMAN. We can produce plenty of Soft wheat in this country. The only reason we do not is because there is no satisfactory premium.

Senator YOUNG of North Dakota. We cannot produce Soft wheat in our area. If these people——

Mr. SHUMAN. If there is a premium for Soft wheat, the people who can produce Soft wheat are going to produce the Soft wheat. The 15-acre people do not all produce Soft wheat.

Senator YOUNG of North Dakota. In the eastern half of the United States, 90 percent of them produce Soft wheat.

Mr. SHUMAN. I am not sure of the proportion, but in Illinois only a part of the 15-acre producers produce Soft wheat. It is a rather small proportion, I would say.

Senator YOUNG of North Dakota. What kind of wheat do you produce?

Mr. SHUMAN. It grades Mixed, much of it. Hard-grade Winter is the kind we plant. In the first year, we get Hard Red Winter, in the second, we may get Hard Red Winter, and in the third we get Mixed.

Senator YOUNG of North Dakota. But that is not true, though, of other States in the eastern half of the United States?

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Mr. SHUMAN. I think it is generally true of Illinois, Indiana, Ohio, and that area. I think most of this is subject to being Mixed wheat.

Senator YOUNG of North Dakota. I am learning something about wheat production, if you are correct.

Senator HOLLAND. Did not most of this 15-acre volume of wheat come into existence as a result of the price-support program?

Mr. SHUMAN. Yes; there is no question about this in my own county. I was on the first wheat control committee in our county, and we had 126—if I recall it right, and it was not more than 10 or 12 from that, either—farmers with a wheat history in 1933. Last year, I saw the report for 1958, I guess it was, and they had over 1,200 of these 15-acre producers in that county. That gives you some idea of what the farm program did for wheat production in our county and how the wheat program has jeopardized the future of traditional wheatgrowers.

Senator YOUNG of North Dakota. How are you going to force farmers out of this production if the cash price is going to be $1.80 a bushel, and we can't raise that wheat out our way?

Mr. SHUMAN. Senator, we will not force them out of business. Instead, we shall return to a system where we have two variables, weather and price. When you have two variables that are not certain, you reduce the incentive to go into the wheat business.

Senator YOUNG of North Dakota. You have something far more important than that. You have the freight rates, which have increased sharply in the last 15 years. I read you the figures. The freight rate now from Bismarck to Pittsburgh is 92 cents a hundred. That is a terrific disadvantage for our farmers. I do not know how we are going to put the farmers out of the wheat business in Pennsylvania when they can truck it right to the market.

Mr. SHUMAN. Well, transportation costs are important. But with the opening of the St. Lawrence, and the pressure on rates—I do not think that they have been reduced in your area yet, but there is a good possibility that they will.

Senator YOUNG of North Dakota. The St. Lawrence is not going to affect the freight rate much on a bushel of wheat from anywhere in the Middle West to anywhere in the East. It is going to help some on export of wheat, but very little on domestic consumption.

Senator AIKEN. Mr. Shuman, I want to apologize to you for not being here when you were giving your statement. Just about an hour ago, we put the finishing touches on the mutual security bill.

But the developments in connection with that bill lead me to ask Mr. Shuman this question.

Would you approve turning part of the wheat now owned by the Commodity Credit Corporation over to the State Department to be disposed of by that agency?

Mr. SHUMAN. We have not taken any position on that specific question. We do favor the continuation of Public Law 480 and the gifts at the present rate of disposal, at least. We do not favor any measures that would increase the dumping of our surplus.

Senator AIKEN. I do not think it would make any difference whether the wheat was actually handled by the State Department, or they just used the income from the Commodity Credit Corporation.

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Mr. SHUMAN. It might make a big difference, but I am not prepared to evaluate in detail what that difference might be. I would rather——

Senator AIKEN. Off the record.

(Discussion off the record.)

Mr. SHUMAN. As a general principle, we are not in favor of turning these stocks over to other Government agencies.

The CHAIRMAN. Mr. Shuman, a moment ago, I asked you about the so-called Hickenlooper bill. At the time I asked that question, I thought that the Hickenlooper bill was the one that was proposed by the administration, but I find now that it is the one you have been talking about.

Now, have you given study to the approach made by the administration?

What is your position on that, if any?

Mr. SHUMAN. We think that the approach we are taking is better. We have generally been for gradual adjustments, but we think the situation with wheat is so difficult and so bad, that our proposal gets the necessary correction more quickly.

The CHAIRMAN. As I understand the difference between the two proposals, it is that you attach your price supports to corn, whereas the administration, for the first 3 years, would go to 75 percent of the last 3 years' average, and thereafter, 90 percent of the previous 3 years' average.

You do not believe that that would——

Mr. SHUMAN. I think ours is a direct and immediate recognition that a large part of this wheat that is being produced must be fed. I believe our approach is more workable and therefore preferable.

The CHAIRMAN. Are there any further questions?

If not, the committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:45 p.m., a recess was taken until 10 a.m., Thursday, April 21, 1960.)

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WHEAT ACT OF 1960

THURSDAY, APRIL 21, 1960

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to call, at 10 a.m., in room 324, Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Talmadge, Young of Ohio, Hart, Young of North Dakota, Mundt, and Schoeppel.

The CHAIRMAN. The committee will come to order.

The committee will continue its hearings on the wheat proposals now before them, and we have as a first witness our good friend, Mr. Newsom, who heads the National Grange as master.

Mr. NEWSOM. Mr. Chairman, I would like to ask Joe Parker to come to the table with us.

The CHAIRMAN. Yes, indeed; very well.

STATEMENTS OF HERSCHEL D. NEWSOM, MASTER, NATIONAL GRANGE (Resumed), AND JOSEPH O. PARKER, LEGISLATIVE COUNSEL, NATIONAL GRANGE

The CHAIRMAN. Do you have a prepared statement?

Mr. NEWSOM. Yes, sir.

I doubt if it is necessary, Mr. Chairman, to identify Joe Parker before this committee.

Senator YOUNG of North Dakota. I would like to hire him away from you sometime.

Mr. NEWSOM. He is our legislative counsel.

The CHAIRMAN. He got his training, I think, on the House side, didn't he?

Mr. NEWSOM. I hope that doesn't prejudice this committee.

The CHAIRMAN. Oh, no, no. We work pretty well together.

Mr. NEWSOM. Mr. Chairman and members of the committee, we are appearing today in support of S. 3159.

We appreciate the opportunity of presenting to the committee the views of the National Grange with respect to wheat and our commendations for long-needed legislation dealing with this subject.

We would first like to take a moment to commend this committee for its continued efforts to improve the wheat program and to provide the legislation under which a constructive and effective wheat program may be carried out. We want to assure you of our willingness to cooperate and assist the committee in every way possible in the development of a workable wheat program.

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The long-term position of the Grange as to both the necessity and the method of modifying the existing legislative structure affecting the marketing of wheat, and the income of producers of wheat, has been so firmly established that it would seem redundant to resort to repetitious detail in presenting our views to this committee.

We have, however, made certain modifications in the legislative proposals dealing with wheat, which we described extensively before this committee last year. We have made these modifications, Mr. Chairman, for very definite reasons. First of all, we must all agree that there is a change in the situation confronting American wheat producers in that the prospect of a continuing decline in farm income, even without any modification of the present legislative structure, is no longer subject to successful dispute.

Secondly, it is now equally clear to an increasing number of people that continued adherence to the present sort of structure, even under a declining price support level, will not prevent further buildup of Government wheat stocks and further increases in the cost of the program currently in operation. Neither will it prevent further loss of markets and further distortion of the normal-use patterns of this important cereal crop.

I believe further that it is clearly established that there is no prospect of bringing wheat farmers into an equitable relationship with the rest of the American economic structure without legislation designed to regulate marketings according to use, and at the same time provide a real, solid basis for adjustment with respect to carryover and with respect to stocks of wheat held by the U.S. Government. In other words, a permanent long-term program—no matter how sound that program is in its basic concept—has much less chance of success under present circumstances than it would have had had we been able to make the revisions in 1952, 1953, or 1954 when as the chairman will recall we did initially propose the wheat certificate program which was passed by both Houses of the Congress.

This measure now being proposed by the Grange, the Wheat Growers, the National Farmers Union, and many of our other colleagues in agriculture, and embodied in S. 3159, has been drafted in an attempt to realistically face the situation and effectively deal with the facts confronting America and her wheat farmers in 1960 and the years immediately following.

As the members of this committee will recall, we asked several weeks ago that the wheat hearings before this committee be recessed to provide several of us, who were clearly moving in the direction of agreement with each other, an opportunity to vigorously explore the areas of uncertainty or the lack of understanding.

We are much pleased, Mr. Chairman, to be able to report to this committee now that these past few weeks have been fruitful in terms of that objective.

In view of the fact that testimony has previously been presented before this committee by representatives of the National Association

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of Wheat Growers having to do with this effort, I would like now to add only that it has been a very satisfying experience, even though each of us has had to make some concessions from our previous positions in order to reach this agreement.

In connection with the necessary adjustment of supplies and reduction of Government-held stocks, it becomes clearly apparent on careful analysis that we shall have to limit marketings of certificated wheat—in order to make a place for approximately 150 million bushels of Government-held wheat per year—until we can reduce that amount to a reasonable carryover. Eventually we would have the carryover in private hands rather than in Government storage. It likewise becomes clearly apparent that under the circumstances now present, we must guard against the probability of adding significantly to the distorted feed grains—livestock balance as the result of a wheat program.

These considerations compelled the incorporation of the land retirement section of our proposal. This land retirement section, as the committee members will note, has been divided into two parts, and frankly, Mr. Chairman, our conversations with you at the previous hearings since the first of the year are basis for our dividing this conservations section in two parts.

It is, of course, our hope that provision may be made for an adequate conservation reserve program under the Soil Bank Act, to make it possible for wheat producers to be compensated for the retirement of 10 percent of their base acreage—thereby reducing their acreage available for feed wheat and other feed grains by 20 percent.

It should be clear that wheat farmers themselves cannot afford to contribute more than the initial 10 percent, as is provided in section 379f of S. 3159, without the extension of the conservation reserve section. We earnestly recommend, therefore, that the committee consider the real importance of taking such action as will be necessary to make it possible that the full 20 percent of the base acreage be retired from production as provided in this section, so that we can speed the adjustment process without unnecessarily reducing the income of the wheat producer, and at the same time provide for positive action in the direction of sound overall agricultural adjustment. We believe that this measure will effectively halt the downtrend in agricultural income to the extent that that downtrend is contributed to by wheat producers themselves.

I would like to say, Mr. Chairman, frankly that I recognize the validity of some of the statements that you and your colleagues across the table and others made concerning the soil bank program. But don't lose sight of the fact that we are proposing an extension of the soil bank program, in conjunction with a limiting of the volume of production that is eligible to support so that we can prevent the continued accumulation in Government hands.

I think either program without the other becomes ineffective but in combination they have real promise.

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The CHAIRMAN. Mr. Newsom, as I pointed out yesterday and other members of this committee pointed out, your reduction is not related to the minimum acreage that a farmer can now plant. You go back to the 82,500,000 acres that were planted which is the most that has ever been planted and if you take 10 percent of that, it means a reduction of 8 million acres from the 82½ million acres. That is no reduction.

Mr. NEWSOM. I can answer that right now by saying that your statement is hardly accurate in my opinion because you have not yet taken account of the fact that we are differentiating between wheat for primary use and wheat that becomes just another feed grain, and what we are doing virtually is limiting the quantity of wheat that becomes subject to support and divorcing it once and for all from the wheat that goes into the same kind of end use as does my corn or my neighbor's barley and oats.

Now, there is quite a difference. Your criticism seems legitimate on the face of it, but if you will realize that we are putting wheat in the normal sense of the word for domestic food use and for export under this proposal into one categry and wheat that normally has gone into feed consumption and to a limited extent to industrial uses into the same category of its competitive grains which I produce on my farm in Indiana then I think you will recognize that this criticism is not quite as valid as it may seem on the face of it.

Actually, if the Congress can see its way clear to extend the conservation feature of the soil bank so that we can get 20 percent of the base acreage, the wheat base acreage of this country, out of feed grain production, be that wheat or other feed grains, then we will be making a very significant contribution toward a program which we hope that the Congress can see fit to expand next year and include feed grains.

The seriousness of this feed grain situation is not yet clear apparently to some of our colleagues but believe me it will be by next year.

The CHAIRMAN. Well, the acreage that you have left even with the 20-percent reduction will be about 19 million acres more than the present minimum.

Mr. NEWSOM. I disagree with you. I disagree with you because this wheat base acreage now is producing the same kind of feed, although it is feed wheat in one case versus barley, and so forth, in the other. But if we take 20 percent of this 82 million acres out, leave 16½ million acres out of feed grain production——

The CHAIRMAN. That is wheat, though.

Mr. NEWSOM. Well, it won't be wheat on all farms. It won't be wheat on all farms. It will be barley. It will be oats. It will be corn on some farms.

The CHAIRMAN. Well, what you propose to do would, in my own judgment—and I am just taking the negative now—further aggravate the conditions that exist in corn and other feed grains.

Mr. NEWSOM. No, sir.

As a corn producer basically, I wouldn't be interested in this bill if I thought that were true and I am grateful to you for these ques-

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tions because it became apparent to me yesterday that we have somehow or other failed thus far to make this fact clear.

What we are doing again is to limit the production of the overall feed grain program.

I mean even though this is a Wheat Belt we are talking about, we are making a greater step than has thus far been made in solving this feed grain situation.

That is one of my main interests in this bill, sir.

The CHAIRMAN. On the other hand, if the bill is enacted as presently drafted, it would take you over 10 years to get ride of your surplus and that assumes you don't further aggravate it, but as pointed out yesterday, it is entirely possible for you to put more and more wheat into bins.

Mr. NEWSOM. I heard most of the discussion yesterday. Now, we have to concede as I did in the very opening of this statement that any transition from the present kind of a program to something else is likely to be painful at this stage of the game with Government stocks being what they are, and it is going to take us a little time. I firmly believe, Senator, that there is not the slightest probability once we get through this first year of phasing into the new program there is not the slightest possibility but that we can accomplish just what we are talking about here, of reducing Government stocks by as much as this 100 million bushels or more. Whether it takes 10 years or 5 let's start in the right direction instead of continuing to pile up more and more and increase the cost of our program.

Now, I am sure we can at least start in the right direction. I think we can start faster than you believe that this legislation will do.

We have discussed this at great length and I know that you have considered it at great length. The speed of travel is very important, but let's get started in the right direction and regulate our speed if necessary after we know we have got this thing turned around.

The CHAIRMAN. As I pointed out yesterday, and even the proponents of the measure admitted, the adjustments that must be made with the small farms may reduce the 150 million bushels that you are supposed to take out of the stocks on hand to as low as 70 or 80 million bushels per year.

So you have in this bill, as I see it, quite a few gadgets that would force the price of wheat up to a great extent for both domestic and foreign use and the cost of the wheat program in my humble judgment will be materially increased.

Mr. NEWSOM. Well, I just can't agree with that.

Now, with respect—I notice your two colleagues down at the end of the table as Senators from two States where we have a combined Grange membership of a little more than 200,000 members, in Ohio and Michigan, and it may be, Mr. Chairman, that in the present draft of this legislation, it may well be that we have leaned over too far in trying to protect the interests of the so-called 15-acre people.

Senator HART. Mr. Chairman, if I can interrupt there, I can assure the master that we think not at all. We think a very minimum.

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Mr. NEWSOM. This is an example of one of the painful things we have gone through since we asked that these wheat hearings be recessed before.

Frankly, I would prefer—when you are working as a group you don't get exactly what you personally would prefer in a draft and we were determined, Mr. Chairman, to take your admonition seriously that we had better get ourselves in agreement and we are prepared to support this bill just as it is but I am confessing to the members of the committee here that I frankly think a provision that would authorize the Secretary and Department to make an equitable allocation of wheat certificates to these people on the basis of their recent years' history of production would probably be a little more equitable than this provision that we have.

Frankly, I think this provision has been a little bit on the side of being overly generous to the people that you gentlemen are representing.

But, as I said, the important thing is to stop this movement in the wrong direction and the wheat growers in the so-called more commercial wheat producing area were anxious enough to get this process reversed, they were somewhat reluctant but nevertheless willing to pay this kind of a price to be sure that we were generous and at least fair with the 15-acre producers.

I can tell you quite frankly that as a resident of a neighboring State to both of your States, I am determined that we should be fair. I think we have been a little more than fair. If the committee decides that we haven't, of course, we would be willing to consider modification of this thing. But as I said a moment ago, even though we ourselves feel that the original proposal that we had is superior in some respects to this bill, we are delighted to support this bill. It is a pretty good bill. It certainly is a vast improvement over the present structure and, in my opinion, so superior over any other proposal before this committee now that I just don't have a bit of hesitancy in endorsing this measure.

This measure will materially reduce the cost of wheat programs to the U.S. Treasury. It will even reduce the wheat cost in the first year; but beyond the first year, the reduction in cost, Mr. Chairman, will be significant, highly significant.

The CHAIRMAN. I wish you would show us how.

Mr. NEWSOM. Well, I think we can do it.

The CHAIRMAN. Of course, when we first had the hearings here, you had a table containing a lot of assumptions, that if thus and so happened, the cost to the Government would be reduced. In other words, you had a specific formula written ou that if everything came out as you predicted, why of course you would be ahead.

Frankly speaking, I just can't see it. First you are going to impose this conservation reserve program.

Mr. NEWSOM. We are asking that you extend that.

The CHAIRMAN. All right. That will cost quite a bit of money.

Mr. NEWSOM. About $100 million.

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The CHAIRMAN. Won't it be more than that?

Mr. NEWSOM. Well, a little over that.

The CHAIRMAN. Yes.

Mr. NEWSOM. Assuming you get full compliance.

The CHAIRMAN. All right. Over $100 million. And then you still have your 75-percent price supports. If you don't get 75 percent, you could stick all your wheat back into the bins.

Mr. NEWSOM. But limited only to certificated wheat.

The CHAIRMAN. Oh, I understand that. I understand that. Then if the Secretary of Agriculture should make an error in underestimating, you benefit there. A good deal of the wheat will go back to the bins.

It strikes me that the additional costs that you impose on Public Law 480 alone is grave because the wheat that is going to be sold abroad will mean probably a doubling of your export subsidies.

Mr. NEWSOM. Let's discuss that one for a moment.

The CHAIRMAN. I wish you would because that is one reason for new wheat legislation, as I understand it, to reduce the cost.

Mr. NEWSOM. That is right. That is one of our reasons for being interested in it.

The CHAIRMAN. All right.

Mr. NEWSOM. But our prime reason right now is to arrest the downtrend in farm income.

The CHAIRMAN. Oh, yes; I agree to that. I think that ought to be done, but the way you are proceeding, in my humble judgment, the cost to the Government will be increased.

Mr. NEWSOM. Well now, you put your finger a moment ago on a very important departure in this legislation from our traditional Grange position.

We have, as you will recall, not only in wheat but in rice, supported the philosophy of getting the parity price level for the domestic human food portion. I still believe that in the long-term program this is the sound approach. But, we have prepared to agree with our contemporaries and colleagues in jointly supporting this proposal now of extending that level of support to the export portion in view of the fact that it is clearly apparent that we must restrict the marketings to the point of aggressively over a period of years reducing Government stocks.

Now—and furthermore, farm income is in a worse shape now than it was in previous years. This is another reason, Senator, that we feel justified in asking for this higher level of support being extended to export now during a period of time when we can justify that cost in terms of the reduced cost of the purchase and storage program.

Now, admittedly, this conservation reserve feature, assuming we get 100 percent participation, could cost us $112 to $113 million. I don't think that we will get 100 percent participation but in any event we had better count on its costing us a hundred million dollars.

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But if we succeed, even in the second year—and I think we can succeed in the first year in part—in reducing Government stocks and in reducing storage costs and we have a provision in here that we will continue to use some of the Government stocks as a payment in kind of the export subsidy necessary—I am saying to you that I am prepared to defend before any of my American friends the philosophy that if we can achieve this kind of adjustment in a reasonable period of time, then we are justified in this adjustment period of certifying the export wheat that is produced currently for this certificate price.

Now, there may be some difference of opinion even yet between us and some of our contemporaries in this legislation.

We felt very strongly that we had to make provision for a continuation of payment in kind of this export subsidy and they have agreed with us on this provision.

We feel very strongly that we cannot justify over any longer period of time the parity price for that which goes into export. I think maybe they will be prepared to agree with us in due course of time on that philosophy, but in turn we are prepared now to agree with them that through this adjustment period we can defend this and our reason for defending it is that we are reducing other Government costs more than enough to make up for this export subsidy that will be required.

Now, whether or not we can maintain a 400- to 500-million-bushel export at this kind of a level is one of my concerns about this legislation, to be perfectly honest with you.

The CHAIRMAN. Well, there is one thing, Mr. Newsom—I don't know the figures now, but we sell quite a bit of wheat for dollars.

If you are bound to sell this wheat at parity you can eliminate those sales because Canada, Australia, or other countries are going to make these sales. The buyers will purchase it where they can get it the cheapest.

Mr. NEWSOM. Of course, we won't sell it at parity. We can't sell it at parity.

The CHAIRMAN. I understand.

Mr. NEWSOM. We make up the difference in export subsidy just as we are doing now.

The CHAIRMAN. That is right. But that is why the cost is going to increase.

Mr. NEWSOM. That is right.

I ask the chairman to keep constantly in mind that we are not starting with some idle situation. We are starting in a mess, and we have to reconcile ourselves to the fact that we can't correct all of these evils now. We have just got to improve them as we go along.

It is going to take us a while to do it.

Our program would stop the buildup of Government stocks and the destruction of normal private marketing operations in wheat.

I would like to stop on that one just a little bit.

You have before this committee, Mr. Chairman, proposals to continue to support production of over 55 million acres. You even have

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a proposal that we throw the 55 million acres out and reduce the support level to about $1.30 a bushel. Well, this gets us nowhere fast except deeper and deeper into trouble.

Because, first of all, I don't know whether as a nation we can afford to export wheat at that $1.30 figure when we are parties to an international wheat agreement with a minimum price level of $1.50. I think you will have to ask yourselves that question very seriously if you are giving any serious consideration to that particular bill.

Secondly, it is not totally the matter of the level of price which is guaranteed that stimulates wheat production. It is the fact that it is guaranteed, and unless and until you limit the volume of wheat that is eligible for that support, I don't think it makes too much difference on several farms, Senator, out in the area of western Kansas or north of western Kansas, whether it is $1.37 or $1.50. As long as they have assurance that this Government of the United States is going to take up that wheat at a fixed price, they are going to use their pencil pretty hard to see whether or not the additional acreage can more than offset the additional expense of producing it, and I don't think that thing would solve anything.

Our program would contribute substantially to the restoration of orderly marketing of high quality wheat through regular commercial channels on a quality and use basis and this is true because once the certified wheat is delivered to the initial buyer it becomes possible for him to substitute a variety or a quality of wheat and use those certificates so that he will move that wheat that is desirable, and, therefore, he will bid for the premium quality wheat with which you, Senator Young, are much familiar.

As long as that quality is not—the quality and variety is not in overabundant supply in itself, it will command a premium under our program and this is what we want to do.

This is why—this is an example, rather, of how we want to use the demand and the price effect as a result of demand to regulate not only the production pattern but the market and use pattern, get it back into a more nearly normal use pattern as rapidly as possible.

Our program would operate so as to improve the prospect of stabilizing income of wheat producers and thereby assist in stabilizing the economy of other businesses in rural communities and small towns, and I am sure that the members of this committee know exactly what is going on in many areas of this country and we just don't have an awful lot of time left to do this without inviting more serious problems than we even have yet.

This program does involve a very important change. We believe it is a very sound and fundamental change in Government price, or income-support measures, with respect to an agricultural product of which we normally export a substantial quantity.

In fact, this change embraces the long-advocated philosophy of the Grange in taking account of end-use—and of the difference between primary and secondary markets and uses for a commodity.

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It is the same basic philosophy that underlies marketing orders and agreements in both dairy products and in many other agricultural commodities, wherein as the members of this committee well know we get a different price level for that milk which goes into fluid channels than we do for manufactured dairy products.

We had to do it in dairy products. We have to do it in wheat if we are ever going to solve this kind of a problem.

It is the same basic philosophy that underlies marketing orders for many agricultural commodities as well as the successful sugar and wool programs. It employs fundamental principles of economics and lets normal economic laws function without throwing us completely at the mercy of a full, free competitive structure, which—well, the members of this committee thoroughly know that we cannot do that one.

It should be clear that we can no longer extend price support to unlimited quantities of wheat; and it should be equally clear that we cannot withdraw price support without providing some other mechanism that will give wheat producers in this instance an opportunity to balance supplies with demand in their own primary market in much the same manner as that enjoyed by other American labor and other American business in their own primary market.

We believe this legislation will serve America and her wheat producers well.

It will stop the increased accumulation of wheat in Government hands.

It will start the orderly reduction of CCC stocks.

It will reduce total feed grain production, and I am sure of that.

It will reduce costs to the Government.

It will assist in stabilizing farm income and thereby strengthen our national economy.

We vigorously recommend S. 3159 for immediate passage and earnestly hope that it may become operative at the earliest possible date.

The CHAIRMAN. Any questions?

Senator SCHOEPPEL. I would like to ask this question. On page 5 you have a query into the record. You say it should be clear that we can no longer stand price support to unlimited quantities of wheat. A lot of my wheat people say what about corn?

Mr. NEWSOM. Well, I do, too, as a corn producer.

I don't think there is too much point to getting into that particular subject matter now. I think we would be lucky if we get a good wheat program this year.

Senator SCHOEPPEL. I know, but we cannot overlook the fact that we have a responsibility to also give some consideration to the feed grain producers other than corn. There are sections in my State very definitely where farmers may well want to go strictly to the feed grains, the sorghum grains.

Mr. NEWSOM. Right.

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Senator SCHOEPPEL. And certain sections where we can go to corn. Now, understand, we are trying to do first things first because we have got a precarious situation on our hands in wheat.

Mr. NEWSOM. Right, but I hope that no member of this committee will lose sight of what the Senator from Kansas has just now said in consideration of our request that you make this additional 10 percent retirement from the total feed grain production, not just from wheat production, possible by extension of the conservation reserve feature here, because this is a major contribution not just to wheatgrowers but to the total agricultural economy and the whole American structure because it starts us, Senator, in a direction that we are going to have to restore more vigorously when you fellows all come back here next January. There isn't any doubt in my mind about it.

The CHAIRMAN. Any further questions?

Senator Mundt?

Senator MUNDT. Following up just briefly what Senator Schoeppel has said, I presume that you would relate this statement that he just quoted on page 5 also to the proposal of the Department of Agriculture from the standpoint of wheat which envisions low-priced support and continued production?

Mr. NEWSOM. Yes. To unlimited quantities, as much as we can produce.

Now, we wouldn't do that in my Indiana farm, under that support level, we couldn't afford to produce wheat. We put other grains, barley and oat feed grain production as long as Uncle Sam stands by to buy unlimited quantities, we can get more dollars from Uncle Sam by going that route than we can on any farm by producing wheat but there are lots of areas in the country that don't have that choice by reason of climate and other production factors.

Senator YOUNG of North Dakota. May I ask a question. Aren't most of the wheat producers in Indiana and Michigan as a result of a 15-acre provision which is not eligible for Government support?

Mr. NEWSOM. I am sorry, Senator, I don't know the figures well enough to dispute that but I don't believe you are right. I don't believe most of it is.

Senator YOUNG of North Dakota. Fifteen-acre wheat isn't eligible for price support. Of course, it has a umbrella of price support program over their prices, but the Government isn't required to support grain on 15-acre wheat.

Mr. NEWSOM. That is right, but nobody will dispute the fact that the 15-acre producers get the benefit of the supporting program to a substantial extent.

Senator YOUNG of North Dakota. That is right.

Senator MUNDT. In Indiana you don't have very many big wheat farmers. This is just part of the farming operations?

Mr. NEWSOM. That is right. Under our kind of a program we would become less important as the cash income dropped but it would regain some of its importance in a sound rotation program, Senator. That is my main interest. I would rather see a good clover crop in

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the spring than any other crop because it promises stability in the future and the best cover crop we have for clovers and legumes is wheat. This is my main interest in being able to have relative freedom of choice as to what we plant or what we sold for a winter cover crop and for a cover crop for legumes next spring.

Senator MUNDT. In connection with this 20 percent cutback in acreage which involves not only wheat but all of the farm production, do you envision this to be an addition to whatever contracts a farmer may presently have with the conservation reserve, or does he get credit for what cutbacks he may have been taking in the last few years as a result of participation in the soil bank?

Mr. NEWSOM. I had better defer to Joe for the answer to that. I think it would be in addition.

Mr. PARKER. I think the bill contemplates it would be in addition.

Mr. NEWSOM. Yes.

Mr. PARKER. It would be a total reduction of plant.

Senator MUNDT. Starting as of the year 1960, wouldn't it be? When, as if the bill should pass this year starting then but picking up no credit for what I may have done?

Mr. PARKER. This would be a new addition to the reduction of plant.

Mr. NEWSOM. I am certain, Senator, that that interpretation would be in conformity with our discussions because clear through these lengthy discussions that we have had with our contemporaries in reaching this agreement, we have, all of us, placed emphasis on making adjustment at the same time that we are trying to prevent further decline in farm income and establishing a reduction in Government stocks and with that in mind I am certain——

Senator MUNDT. I think that the fellow who has gotten into the conservation reserve might run into a little difficulty getting another 20-percent cutback as against the fellow who either hasn't desired to go in,. or as in my area the many people who have desired to go in but who couldn't get in because of the fact we ran out of money.

Mr. NEWSOM. I think that is possible it might happen and if it is he just wouldn't be eligible for certificates under this program, that is all, unless we revised the draft.

Maybe we need to take a real hard look at this particular feature.

I would ask you to keep in mind, Mr. Chairman, that with the kind of pressure that was on us the last time we were before you, this committee, we have not had an awful lot of time to perfect this draft. I think we could improve it working with your staff in some of these details.

Thus it may be that this is one that we would have to look at.

I am not prepared to say.

Senator MUNDT. This is a problem that is in the picture. I have not been able to rationalize in my own mind which way we should move but I think it is something we should look at before we pass the legislation to be sure we don't trigger off a whole series of inequities without at least knowing about it in advance.

Mr. NEWSOM. That I assure you is our purpose. We will be delighted at look at it hard.

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The CHAIRMAN. Any further questions?

Senator Hart?

Senator HART. Mr. Chairman, for the record in response to a question Senator Young asked, it might be helpful if I indicated that according to the USDA report on the 1958 wheat production the States we are inquiring about are Michigan, Ohio, and Indiana, there is a total of 180,000 wheat farms in Michigan, 101,000 of them with allotments of 15 acres and less.

In Ohio, it is 157,000 with 128,000 of 15 acres.

Senator MUNDT. The Senator's question led to the amount of wheat produced. Do you have the figures?

Senator HART. Yes. Perhaps for the record it would be well to insert this table at this point.

The CHAIRMAN. Without objection it is so ordered.

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Wheat: Estimated 1958 performance of small wheat farms with allotments of 15 acres or less [1]

State	Total wheat farms	All farms with allotments of 15 acres or less						Noncomplying farms			
		Number of farms		Allotment acres		Wheat acres		Number of farms	Allotment acres	Wheat acres	
		Total	Percent noncomplying is of total	Total	Percent noncomplying is of total	Total	Percent noncomplying is of total			Total	Percent of allotment
New York	38,452	32,528	43.0	150,758	42.1	162,040	86.8	14,000	63,395	140,617	221.8
New Jersey	5,131	4,122	46.4	19,161	45.7	23,863	87.0	1,914	8,752	20,760	237.2
Pennsylvania	87,939	80,028	48.3	408,385	48.8	434,790	81.0	38,659	199,123	352,195	176.9
North Atlantic	131,522	116,678		578,304		620,693		54,573	271,270	513,572	
Ohio	157,516	128,306	53.0	768,781	56.0	868,479	85.8	68,048	430,178	745,590	173.3
Indiana	123,500	100,475	59.8	498,081	59.3	775,153	90.3	60,035	295,270	700,180	237.1
Illinois	138,319	107,620	67.0	443,786	68.1	939,355	92.9	72,146	302,408	872,815	288.6
Michigan	118,445	101,161	59.9	522,434	59.7	753,679	89.1	60,552	312,113	671,719	215.2
Wisconsin	13,990	13,660	39.2	38,580	31.5	49,082	93.3	5,357	12,141	45,805	377.3
Minnesota	51,084	38,590	62.9	121,852	40.2	303,343	93.9	24,278	48,952	284,873	581.9
Iowa	14,142	11,345	54.6	27,289	40.5	75,784	93.0	6,193	11,047	70,484	638.0
Missouri	151,961	128,063	58.2	496,929	56.3	972,256	94.1	74,563	279,596	915,169	327.3
North Dakota	72,794	3,761	44.9	25,896	27.3	31,228	71.6	1,688	7,070	22,355	316.2
South Dakota	42,327	11,781	62.4	44,649	32.5	108,000	90.7	7,350	14,509	97,964	675.2
Nebraska	80,976	30,000	63.7	153,458	53.0	282,245	85.7	19,119	81,268	242,005	297.8
Kansas	138,991	41,755	69.8	226,238	61.4	398,868	90.4	29,137	138,970	360,565	259.5
North Central	1,104,045	716,517		3,367,973		5,557,472		428,466	1,933,522	5,029,524	
Delaware	2,061	1,227	39.1	6,443	33.1	6,648	78.3	480	2,131	5,207	244.3
Maryland	14,862	10,699	43.8	59,789	39.6	61,009	76.8	4,688	23,687	46,866	197.9
Virginia	48,892	45,045	38.3	168,101	33.5	167,887	82.0	17,263	56,263	137,636	244.6
West Virginia	6,425	5,877	25.1	24,166	23.2	14,682	67.6	1,474	5,614	9,929	176.9
North Carolina	75,388	72,369	42.5	240,327	35.3	261,698	89.3	30,765	84,732	233,810	275.9
South Carolina	40,168	38,456	34.8	90,973	30.2	117,988	94.3	13,364	27,438	111,206	405.3
Georgia	21,581	20,074	27.8	63,060	22.7	52,551	93.6	5,589	14,300	49,175	343.9
Florida											
South Atlantic	209,377	193,747		652,859		682,463		73,623	214,165	593,829	
Kentucky	28,611	24,757	29.1	98,924	25.3	88,241	82.7	7,214	24,996	72,959	291.9
Tennessee	34,389	31,554	24.9	126,667	21.1	88,337	83.7	7,866	26,784	73,960	276.1
Alabama											
Mississippi											

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Arkansas	18,395	17,733	40.9	25,960	40.4	84,317	98.8	7,255	10,486	83,291	794.3
Louisiana											
Oklahoma	85,191	31,261	65.4	97,222	59.1	263,745	95.8	20,438	57,480	252,736	439.7
Texas	61,939	28,154	58.2	99,468	46.8	218,734	93.7	16,385	46,557	205,015	440.4
South Central	228,525	133,459		448,241		743,374		59,158	166,303	687,961	
Montana	25,155	5,087	48.3	24,056	38.7	38,581	87.5	2,458	9,313	33,744	362.3
Idaho	31,639	20,572	64.1	99,309	59.0	169,105	87.9	13,178	58,628	148,597	253.5
Wyoming	4,078	1,499	31.4	7,153	19.9	8,153	80.6	470	1,420	6,573	462.9
Colorado	21,561	6,591	38.9	25,516	28.2	34,047	87.8	2,567	7,186	29,908	416.2
New Mexico	4,898	2,278	32.1	6,067	18.8	6,081	86.0	732	1,143	5,227	457.3
Arizona											
Utah	12,864	10,050	45.3	39,404	40.0	48,151	85.7	4,552	15,742	41,270	262.2
Nevada											
Washington	17,534	8,411	58.4	26,224	45.8	60,565	94.1	4,909	12,006	57,000	474.8
Oregon	18,193	12,416	61.3	39,356	51.3	90,332	91.8	7,612	20,180	82,880	410.7
California	6,211	3,314	47.1	8,200	24.7	19,927	95.8	1,561	2,024	19,097	943.5
West	142,133	70,218		275,285		474,942		38,039	127,642	424,296	
United States	1,815,602	1,230,619	53.1	5,322,662	51.0	8,078,944	89.7	653,859	2,712,902	7,249,182	267.2

[1] Data based on a frequency distribution of farms using median of intervals for calculating allotments and planted acres.

Source: Grain Division, CSS, Agriculture, Washington, Mar. 20, 1959.

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Wheat: Estimated 1958 performance of small wheat farms with allotments of 15 acres or less [1]—Continued

State	Complying farms								
	Total			Not reporting wheat		Reporting wheat			
	Number of farms	Allotment acres	Wheat acres	Number of farms	Allotment acres	Number of farms	Allotment acres	Wheat acres	
								Total	Percent of allotment
New York	18,528	87,363	21,423	15,292	60,544	3,236	26,819	21,423	79.9
New Jersey	2,208	10,409	3,103	1,782	6,532	426	3,877	3,103	80.0
Pennsylvania	41,369	209,262	82,595	27,869	106,579	13,500	102,683	82,595	80.4
North Atlantic	62,105	307,034	107,121	44,943	173,655	17,162	133,379	107,121	
Ohio	60,258	338,603	122,889	44,435	191,292	15,823	147,311	122,889	83.4
Indiana	40,440	202,811	74,973	31,884	114,522	8,556	88,289	74,973	84.9
Illinois	35,474	141,378	66,540	28,899	67,892	6,575	73,486	66,540	90.5
Michigan	40,609	210,321	81,960	30,444	113,695	10,165	96,626	81,960	84.8
Wisconsin	8,303	26,439	3,277	7,499	22,473	804	3,966	3,277	82.6
Minnesota	14,312	72,900	18,470	12,087	51,138	2,225	21,762	18,470	84.9
Iowa	5,152	16,242	5,300	4,557	10,038	595	6,204	5,300	85.4
Missouri	53,500	217,333	57,087	46,716	153,734	6,784	63,599	57,087	89.8
North Dakota	2,073	18,826	8,873	1,222	9,040	851	9,786	8,873	90.7
South Dakota	4,431	30,140	10,036	3,479	19,135	952	11,005	10,036	91.2
Nebraska	10,881	72,190	40,240	7,131	28,719	3,750	43,471	40,240	92.6
Kansas	12,618	87,268	38,303	8,732	45,690	3,886	41,578	38,303	92.1
North Central	288,051	1,434,451	527,948	227,085	827,368	60,966	607,083	527,948	
Delaware	747	4,312	1,441	585	2,576	162	1,736	1,441	83.0
Maryland	6,011	36,102	14,143	4,080	18,725	1,931	17,377	14,143	81.4
Virginia	27,782	111,838	30,251	22,165	72,405	5,617	39,433	30,251	76.7
West Virginia	4,403	18,552	4,753	3,332	12,326	1,071	6,226	4,753	76.3
North Carolina	41,604	155,595	27,888	35,558	118,838	6,046	36,757	27,888	75.9
South Carolina	25,092	63,535	6,782	23,463	54,436	1,629	9,099	6,782	74.5
Georgia	14,485	48,760	3,376	13,733	44,202	752	4,558	3,376	74.1
Florida									
South Atlantic	120,124	438,694	88,634	102,916	323,508	17,208	115,186	88,634	
Kentucky	17,543	73,928	15,282	15,154	54,824	2,389	19,104	15,282	80.0
Tennessee	23,688	99,883	14,377	20,989	80,147	2,699	19,736	14,377	72.8
Alabama									
Mississippi									

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Arkansas	10,478	15,474	1,026	10,326	14,257	152	1,217	1,026	84.3
Louisiana									
Oklahoma	10,823	39,742	11,009	9,755	27,693	1,068	12,049	11,009	91.4
Texas	11,769	52,911	13,719	10,336	37,530	1,433	15,381	13,719	89.2
South Central	74,301	281,938	55,413	66,560	214,451	7,741	67,487	55,413	
Montana	2,629	14,743	4,837	2,040	8,880	589	5,863	4,837	82.5
Idaho	7,394	40,681	20,508	4,883	16,394	2,511	24,287	20,508	84.4
Wyoming	1,029	5,733	1,580	809	3,675	220	2,058	1,580	76.8
Colorado	4,024	18,330	4,139	3,441	13,220	583	5,110	4,139	81.0
New Mexico	1,546	4,924	854	1,348	3,815	198	1,109	854	77.0
Arizona									
Utah	5,498	23,662	6,881	4,121	13,963	1,377	9,699	6,881	70.9
Nevada									
Washington	3,502	14,218	3,565	3,057	9,744	445	4,474	3,565	79.7
Oregon	4,804	19,176	7,452	3,875	10,491	958	8,685	7,452	85.8
California	1,753	6,176	830	1,648	5,155	105	1,021	830	81.3
West	32,179	147,643	50,646	25,222	85,337	6,957	62,306	50,646	
United States	576,760	2,609,760	829,762	466,726	1,624,319	110,034	985,441	829,762	84.2

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Senator YOUNG of North Dakota. I would like to say if a farmer had a 15-acre allotment he would have a history of planting more than 15 acres, he wouldn't necessarily be a 15-acre exemption farmer.

Senator HART. In the case of Michigan it shows that the noncomplying out of that 118 are 60,000-odd.

Senator YOUNG of North Dakota. Out of how many?

Senator HART. Out of 118,000.

The CHAIRMAN. Any further questions?

Senator HART. May I ask the master if he doesnt' agree that this is a fair statement and reflects the reason why there is such strong feeling in my State and other adjacent States to your own Indiana. There is a lot of heat on to get a bill out and the wheatgrowers generally think that even less than a satisfactory bill is desirable bacause if they don't adjust downward a little bit the roof will fall in eventually.

Now, we who grow soft wheat feel that we haven't contributed 7 cents' worth to the surplus that produces the heat, and in any bill we insist that equity requires that this be acknowledged, that treatment be separate for that segment of the economy, just like Durum.

Isn't that a fair statement of the feelings in the State we represent?

Mr. NEWSOM. It is. I think it is reasonably fair, Senator, but frankly, I think it probably overstates the case there.

There is a pretty widespread determination among a great many of us that, call it a socialistic tendency, if you will, I am not as afraid of terms as some of my friends, but there is a widespread feeling that increasingly we must recognize Government's responsibility to individuals and wherever it is possible without great violence to economic law and to justice and equity, we just must give the break in the situation to the smaller producer.

Now, I think, really, it is entirely accurate to state that this is equally important with what I think you were indicating was a pure political consideration in this matter. I guess——

Senator HART. A factor in motivation?

Mr. NEWSOM. It is bound to be there because after all if you don't get a piece of legislation, it isn't going to do you any good. It is just that simple.

Senator HART. When you speak of the concern, which I think you are to be commended for showing, for the smaller producer as a person, recognize, too, that that smaller producer in our States is barely meeting the milling demands for the product which is another way of saying there is no contribution to the glut or surplus out of our States, isn't that true? There isn't.

Mr. NEWSOM. There is great validity in it. I would urge the Senator not to forget, however, that there is another factor that is less pleasant in this thing, and that is that we have several good friends in the business of milling this soft wheat that would like to have as great a supply of this soft wheat as they can possibly get available on the market so that they can get it at the lowest possible price.

Senator HART. Sure.

Mr. NEWSOM. With that motive I am not in too much sympathy. I don't think we can be under present circumstances when we are dedicated to a philosophy of expanding our own market and protecting the income of individuals as has been evidenced in minimum

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wage legislation with which I am in great sympathy and all that sort of thing.

Now, we have to take all of these motives into account and there is some of that in this picture. We mustn't forget that. I am a soft wheat producer too.

Senator HART. But when we hear a miller speak to this point, whatever his motivation might be, nonetheless, we must accept as a fact of life the proposition that he is seeking to obtain a kind of wheat which is virtually in balance.

Mr. NEWSOM. That is exactly right.

Senator HART. They might want to knock it down or build up the supply but nonetheless we in evaluating the legislation have to realize that so far as these hundred thousand producers are concerned they are producing pretty much in balance with the market.

Mr. NEWSOM. At the same time, those of us who have any influence on the kind of legislative structure that we are going to write into the picture must be doubly sure that we preserve the opportunity for individuals, be they five, ten, fifteen, fifteen hundred-acre producers, to produce in response to the actual market demand, irregardless of the kind of support structure that we put before them.

Now, that is what we are trying to do and I believe firmly that this proposal would do it.

Senator HART. Well, what if you reduce by 20 percent the acreage available to meet milling demands for white wheat which right now, with that 20 percent in it, barely is in balance?

Mr. NEWSOM. But don't forget that the individual miller can still buy the wheat that he wants from the producer regardless of whether it is certified. Now, admittedly, he is going to buy it at a lower level when he buys the certified level, but admittedly also he is going to buy it at a higher level than he will noncertified wheat which doesn't meet his particular requirements.

And over a relatively short period of years, Senator, this program would put this fellow in a far better position, even than the present program, and none of us can see that we keep the present program very long. It is the alternatives, the choices that we have available that we must keep in mind.

Senator HART. Thank you very much.

The CHAIRMAN. Any further questions?

Thank you, Mr. Newsom.

Mr. NEWSOM. Thank you, sir.

The CHAIRMAN. All right.

Mr. Baker?

STATEMENT OF JOHN A. BAKER, DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION—Resumed

Mr. BAKER. Mr. Chairman, for the record I am John A. Baker, director of legislative services, National Farmers Union.

We appreciate, Mr. Chairman, the action of your committee in reopening hearings on proposed wheat legislation. As you know, the bill incorporating the proposed wheat certificate program developed by discussions among the National Association of Wheat Growers, the National Grange, and Farmers Union had not yet been introduced at the time of your earlier hearings. This resumption of hearings has

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afforded all interested organizations an opportunity to state their views formally on the exact legislative draft of the new proposal.

Mr. Chairman, the April issue of economic indicators published by the Joint Economic Committee and prepared by the President's Council of Joint Economic Advisers arrived on our desk this morning before the hearing.

Its disclosures add a certain urgency in somber tones to our deliberations and discussion. It indicates, Mr. Chairman, that affairs are moving rather rapidly toward those predicted in Senate Document No. 77 Report that you caused to be made.

This new report indicates that the annual rate of total farm net income in the first quarter of 1960 was $10.8 billion, $1 billion lower than 1959 and $3.4 billion less than in 1958.

The same report further indicates that the annual rate of total farm net income in March of 1960 was even lower than the average for the first quarter. A seasonally adjusted rate of only $10.3 billion.

Members of the committee will recognize that this official March 1960 figure is at a $6 billion annual rate lower than in 1951 and $5 billion lower than in 1952.

The report also indicates that farm production expenses and the prices of farm living items continues to rise.

My statement today will be brief. The reasons for Farmers Union support of the new proposal and why we think it is more workable and more nearly adequate than other pending proposals are in the record of your earlier hearings, on February 3.

The arguments made against the proposal by the only two groups who have appeared against it have been fully, adequately, and accurately refuted at this hearing by statements of previous witnesses, who support the certificate plan.

Mr. Chairman, I appreciate being associated with this very excellent appearance before the committee of National Master Newsom of the Grange and with Mr. Carl Bruns and Mr. Smith's statement yesterday for the National Association of Wheat Growers.

The needs of the times relative to wheat legislation, it seems to us, are these:

1. To improve, at least not to reduce further, the net income of wheat farmers;

2. To stop the further buildup of stocks of wheat in Government ownership;

3. To reduce, materially, the cost of the program to the Treasury;

4. To impose no hardships on the producers of other farm commodities, and

5. To have in being, after the existing Government-owned stocks are reduced to the appropriate level for a national safety reserve, a program that will operate at no net cost to the Government.

We are convinced that S. 3159 will meet the first four needs and be a major step toward attainment of the fifth.

We are strongly convinced that a shift should be made before the next crop year, as is done in the wheat certificate plan, from reliance upon acreage allotments for supply control of wheat to bushelage quotas.

Many people who may not be familiar with the new proposal might understand its economic implications better, if spelled out in equivalent terms of acreage allotments, price support levels, and penalties for

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overquota sales. It might help clarify the certificate plan to translate the new proposal into these more familiar terms.

As we interpret the new proposal, it would, in effect, be the equivalent of cutting acreage allotments by 30 percent; raising the support level from 75 to 100 percent of parity; making payments-in-kind equal to two-thirds of the average yield on half of the acreage cut, and setting the penalty on wheat grown on excess acres at 55 percent of parity.

In these terms, it is clear that the new certificate plan will attain the first four of the criteria we have suggested above:

1. Wheat farmers net income will be increased;
2. Government-owned stocks of wheat will be reduced;
3. The annual Government cost of the wheat and feed grain stabilization programs will be immediately and materially reduced; and
4. No other producers will be injured.

When Government stocks are reduced to the national safety reserve level, farmers' bushelage quotas for primary use wheat can then be increased, making possible a shift in the certificate system and the CCC domestic resale price and loan level such that producers can receive a blended domestic and export average price equal to parity, without need for subsidy payments out of the Treasury, particularly if in the interim adequate improvements have been made in the Public Law 480 program, the International Wheat Agreement, and the Food and Agriculture Organization.

Since it has been charged by some opponents that the new wheat program would drastically reduce the income of wheat farmers, we wish in closing to demonstrate that the reverse is true by making use of the equivalent terms of acreages, price support levels and payments-in-kind implicit in the new proposal, in comparison with the program under existing law and with the probable results of abandoning supply controls and price supports, and with a proposed "compromise" between the latter two, and since typing the prepared statement we have put in a fifth column combining some previous suggestions that Senator Young has made with some suggestions that the chairman and Senator Symington made yesterday.

Illustrative results on typical 82-acre tract

	Equivalent of certificate plan	Combined Ellender-Symington-Young suggestion			Existing program	80-20-33 compromise	No supports, no controls
Wheat base acres	82		82		82	82	82
Acreage allotment	38.5		38.5		55	44	82
Yield, bushels	20		20		20	20	20
Production, bushels	770	(500)	770	(270)	1,100	880	1,640
Price support, bushels	$2.36	$2.55		$1.53	$1.77	$1.89	$0.90
Gross sales	$1,817	($1,275)	$1,688	($413)	$1,947	$1,663	$1,476
Soil building	16.4		16.4		0	11	0
Contributed	8.2		8.2		0	0	0
Rented	8.2		8.2		0	11	0
Rental	$258		$258		0	$139	0
Feed grains acres	27		27		27	27	(44)
Gross	$486		$486		$486	$486	
Total gross	$2,561		$2,432		$2,433	$2,288	$1,476
Operating costs	$800		$800		$1,000	$900	$1,000
Net farm income	$1,761		$1,632		$1,433	$1,388	$476
Charge for capital	$400		$400		$400	$400	$400
Left for operator and family	$1,361		$1,232		$1,033	$988	$76

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This is an illustration of a farm with wheat-base acres of 82 and in each of the proposals, the wheat-base acreage would be 82 acres on the farm.

Under the existing program, which is the third column, wheat-base acres, 82, acreage allotment 55 acres, yield, as in each column, 20 bushels to the acre, would make, under the existing program, total production eligible for price support of 2,200 bushels, at a support price of $177 would give gross sales of $1,947. With no required contribution to a soil-building base, there would be 27 million acres now engaged either in feed-grain production or the production of some other crop, as Senator Mundt mentioned, or already in the conservation reserve.

At $18 an acre, that would be a gross return of $486, or a total gross from the 82 wheat acres of $2,433. With cash operating expenses approximately $1,000, this would leave a net farm income of $1,433, with a charge for capital of $400 and left for operator and family will be $1,033.

All of us want to work out a solution to the wheat problem without that figure being cut any further than it has already been in the last 5 or 6 years.

The new equivalent certificate plan provides a cut of 30 percent in acreage allotment to 38.5 acres instead of 55. It raises the support from $1.77 to $2.36. There are 8.2 acres that would be contributed to the soil-building base without payment to the farmer and 8.2 acres would be rented, with the payment probably in the neighborhood of $258 on 20-bushel acre wheatlands.

It would be 27 acres of total feed grain on this farm under this proposal or about the same as under the existing program.

Senator MUNDT. How much did you say was the per-acre payment?

Mr. BAKER. This is on the basis of two-thirds normal yield.

This would result in——

The CHIARMAN. Did you figure out the amount per acre? For 17 acres how much dollars would you get?

Senator MUNDT. I am figuring it out now. It is about $30 per acre.

Mr. BAKER. Yes, sir. This is calculated on the basis of two-thirds of the normal yield on half of the diverted acres.

Mr. MUNDT. One of the witnesses said yesterday they were going to pay for this at the same rate they are now paying conservation reserve acreage.

Mr. BAKER. Well, I calculated this on the basis of the pending bill which provides two-thirds of the normal yield. This would amount to the same thing as a third of the normal yield on the total reduced acres or two-thirds of the normal yield on half of the reduced acres. This is on half.

Now, yesterday, there was considerable discussion and as a long-term proposition, as Mr. Newson said a while ago, Mr. Chairman, you have got a real point—and Senator Symington did, too—that how much you can, if any, expect the export subsidy payments on wheat be raised to make up any gap in wheat income.

That stimulated me to see if I could try to work out how a wheat program could be set up without increasing, and maybe with some

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reduction, in the existing export subsidy per bushel and still do it without reducing wheatgrowers' income.

And here is at least one way that could be done if that is what you wanted to do. I do not recommend this necessarily, but take the proposal as expressed in equivalent terms of acreage allotments but otherwise the same proposal as provided in the Carlson-Magnuson bill—82 wheat-base acres. That would be the equivalent of an acreage allotment of 38.5 acres, that is in the left-hand column. The yield is 20, the same as in the left-hand column.

And the total production would be 770 bushels as in the column under the certificate plan.

But instead of having a flat price for all of that, take Senator Young's suggestion of several years' standing that we place the parity price for wheat on the same base period, Senator Young, that practically all other Government statistics are on, and calculate 1957–49 as the base period. That would be $2.55 for the parity price of wheat.

Sell the 500 bushels of domestic wheat at that parity price and set your exports at 60 percent of what I might call the Young parity price.

The combination, the arithmetic of that is 500 bushels times $2.55 is $1,275, 270 bushels at $1.53, $413, or a total of $1,688 for the primary use wheat.

Senator MUNDT. What price do you come out with when you multiply 255 by 60?

Mr. BAKER. $1.53, which as I want to point out later, under the existing program, as I understand it we are paying 55 cents a bushel, export subsidy. If you followed this, what I call the combined Young-Symington-Ellender suggestions it would reduce the export subsidy per bushel 55 cents per bushel under existing program, to 30 cents, and would still maintain wheat growers' income.

Senator YOUNG of North Dakota. Don't you have a mistake in the price support level under your third column, "80–20–33"?

I think 80 percent support would be about $1.90.

Mr. BAKER. I stand corrected on that, if it is.

Let's see. 236 times 80 equals $1.89.

Senator YOUNG of North Dakota. 237.

Mr. BAKER. I was using 236 here throughout. That may be the difference. The comparison would be the same. I used 236 in each proposal.

Senator YOUNG of North Dakota. Yes.

Mr. BAKER. It seems to me, Mr. Chairman, under the certificate plan as translated into these more familiar terms of reduction in acreage allotment and increase of price-support level, that it should be clear that gross income would be somewhat increased. The net income left for the operator and family will be increased about a fourth over the existing program, while at the same time, Commodity Credit Corporation inventory of wheat would be reduced by about 100 to 150 million bushels each year.

The Government costs of wheat and feed grain program would be substantially and progressively reduced from year to year and the market supply of feed grain would be reduced.

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The market supply of feed grain for example as compared with the existing program would not be more than that produced from the same 27 acres. That would be the net reduction in the total amount of feed grain under the new program compared to the existing program.

Now, in terms of wheat to the Commodity Credit Corporation from this one farm, which could be translated into national terms—the wheat that goes into CCC under the certificate plan as compared with the existing program would be a net reduction of 330 bushels.

Under the certificate plan, there would be a reduction of 330 under the proposal labeled "the Symington-Ellender-Young combined suggestion."

Under the existing program this farm is contributing approximately 330 to CCC stocks.

Under the 80–20–33 program you would be taking down CCC stocks from this farm of about 220 bushels, and under the no-supports no-controls, of course this would be up to Government policy what they did or didn't do with existing stocks.

Now, the change in the market surplus for the market certificate plan and the combined Symington-Young-Ellender suggestions, the net change in market surplus would be 330 bushels, equivalent for this farm, or this would be the equivalent of 330 million bushels for the country as a whole.

And the similar figure for the 80–20–30 column is 220 bushels for this farm or 220 million bushels that this proposal would pull down—the surplus would be cut by 220 bushels equivalent to this farm or 220 million bushels for the country as a whole.

The export subsidy per bushel I have mentioned under the equivalent certificate plan $1.26 a bushel.

Under the Symington-Ellender-Young combination that I mentioned, it would be 30 cents a bushel.

Under the existing program, it is 55 cents a bushel.

Under the 80–20–33 compromise plan it would be 61 cents a bushel and of course there would be no export subsidy made in case you had no supports and no controls.

Senator YOUNG of North Dakota. Would you yield for a question at that point.

What part of the export subsidy would be paid in kind, that is, in wheat and what part in cash?

Mr. BAKER. Senator Young, we sweated blood on that one trying to understand exactly how it would operate and we are still not completely sure how an export subsidy in kind with this type of program would actually operate.

Therefore, the bill says that subsidies in kind on exports can be made but only up to 50 million bushels in any one year.

We are afraid if we go too far in export subsidies in kind this will eliminate the market squeeze or shortage that makes the resale price of CCC effective in setting market price.

Now, Mr. Chairman, it might be useful to look at this wheat program that we are all faced with again slightly differently. I may be more simple minded. I am a hillbilly from the mountain area in Arkansas, and sometimes I can understand things better when they are simplified than I can in a broader and more global setting.

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If I may, Mr. Chairman, still further expand this parenthetical statement, it might help clarify what our problem is and what solution ought to be.

Essentially, this is a problem of arthmetic where most of the quantities are agreed with by everybody that is involved in trying to work out this solution.

First, there are approximately 84 million acres of land in the United States or 82 that in the recent past have produced wheat and our problem is how can the net income of farmers using that land be stabilized or maximized within certain more or less accepted limits in which a solution has to be found.

The first, or (*a*) limit is not more than 500 million bushels of wheat can be sold domestically for food and that the price which Congress could set is probably not any higher than the Young parity price of $2.55. (Using 1947–49 rather than 1910–14 as a base period.)

(*b*) Not more than 450 million bushels of wheat can be sold in export, in terms of what they pay for it, at not more than the current export price of $1.23 or $1.25 a bushel, and it would be only correct to say that the effective price at which we turn loose our wheat and the volume which we put into export are not at all determined by economic factors. They are determined by implicit international agreements, primarily between the United States, Australia, and Canada.

We are not going to break the price below a figure that Canada and Australian Governments and their wheat producers can live with and they are not either, and we are not going to try to unload more wheat than we think we can get along with with respect to Australia and Canada and this is the way the export price is set now and I presume that is certainly the way all of us would want it to continue to be set and that price apparently is under current conditions in the neighborhood of $1.23 or $1.25 per bushel.

(*c*) The total supply of feed grains and other farm commodities produced on wheat base acres must not exceed the amount that is now produced on wheat base acres. That is the third limitation, so that wheat program will not injure other farmers. Alternatively, you could say the acreage diverted from wheat must not exceed the 27 million acres already diverted from wheat to other uses, 27 million being the difference betweeen 82 million and 55 million acres.

Currently, feed grain price of wheat and other feed commodities is established by law in relation to the 65 percent of parity price for corn which is about $1.06 for corn (approximately $1.15 for wheat).

(These volume and price figures that I have just given pretty well set what is the amount of gross income that you could reasonably work out a program to establish for wheatgrowers.)

(*d*) The current 1.3 billion bushel stocks of CCC must be reduced. We have got them and I think one of the limits to the solution of the problem is that whatever solution we are going to have to cut down some on the existing stock of CCC, and begin it as soon as possible, to more nearly equal an adequate national safety reserve level. A reduction rate of 150 million bushels per year has been accepted as reasonable.

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This would require that production of wheat be reduced by the equivalent of 7.5 million acres at normal 20-acre yields. Taking these figures as I gave them for domestic food use, 500 million bushels at $2.55 a bushel, the Young parity price——

Senator YOUNG of North Dakota. Maybe we should explain that parity—all they would have to do to attain that is to strike out the 1910–14 base period reference in the present parity formula and insert the same base that industry and labor is now using, 1947 and 1949.

Mr. BAKER. Correct.

That would be 500 million bushels at $2.55 a bushel is $1,275 million.

Exports, 450 million bushels at $1.25, $562.5 million.

And 430 million bushels at $1.15 would be $494.5 million, or a total——

Senator MUNDT. That is your 60 percent?

Mr. BAKER. That is even lower than 60. That is the feed value equivalent of wheat to $1.06 corn, which is support level of corn.

I might say at this point, Senator Mundt, this illustrates one of the problems that several of the Senators were getting at earlier today. It is hard to set up a real, good wheat program in the absence of a more nearly adequate feed grain program than we have. I mean, this sets a very severe limit; $1.06 corn sets a limit on the income that the wheatgrower can get.

In any event, the total of these three figures on the basis of those assumptions would be $2,332 million, gross income from sale of wheat of these different categories at those prices.

2. It seems to me as far as we are concerned an additional limitation that must be placed with respect to any new wheat program is that wheat farmers' income cannot be further reduced and under the existing current program in a normal year, quota wheat of 1,100 million at $1.77 would be $1,947 million.

Feed or other on the 29 million acres, 20 bushels, $667 million, a total of $2,614 million, which is approximately $300 million more than you can earn on the Young, Ellender, and Symington calculation that I just went through, which means that there is a gap of $282 million that has to be made up if you are going to keep from reducing wheatgrowers' income.

3. That gap, under all of the different pending proposals, is made up three ways: Losses from CCC or payments in kind or export subsidies.

4. We seek to rule out CCC losses as a source of farm income.

5. And in our new proposal we are recommending that it be made up by means of export subsidies and by means of payment in kind. It doesn't really matter, Mr. Chairman, which combination you use these in.

6. If no export subsidies are used, this would imply the need for payment in kind or cash of $21 per acre on the 13 million unused acres or $42 per acre on half of them ($282 million divided by 13 million acres).

7. If export subsidies were continued at current rate per bushel (55 cents), this would mean that farmers would get $1.80 per bushel for 450 million and it would make up $247½ million of the $282

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million deficit, leaving only $34.5 to be made up with payments in kind or cash.

8. Alternatively the deficit could be made up as is done in the wheat marketing certificate plan as follows:

	Million
Primary use wheat:	
Domestic food, 500 million bushels at $2.36	$1,180
Exports (farmers' share), 300 million bushels at $1.25	475
Export subsidies, 300 million bushels at $1.11	333
Wheat, equivalent feed or other, 580 million bushels at $1.15	667
Payments in kind, 8.2 million acres at $13	104
Total	2,659

9. We believe that the wheat marketing certificate plan sets up a more workable program of wheat supply control, through bushelage quotas and price stabilization than would an equivalent tinkering with acreage allotments. The cost to the Government and taxpayers is the same whether in form of export subsidies or payments on diverted acres.

10. We confidently expect that once CCC stocks have been drawn down to an adequately safety reserve level, the proposed wheat program, with some adjustments similar to those suggested in (1) above could operate at no net cost to the Government, as follows:

Domestic food: 500 million bushels, at $2.55	$1,275,000,000
Exports: 450 million bushels, at $1.25	562,500,000
Feed wheat: 580 million bushels at $1.15	664,000,000
Total	2,501,500,000

11. We, therefore, respectfully suggest that since the workable long-range plan will cost no more in total during the interim than the makeshift involving the equivalent funds for larger payments in kind on diverted acres, the wise course is adoption of the wheat-marketing certificate plan.

The CHAIRMAN. In any event, though, it would be a cost to the Government?

Mr. BAKER. It would be the same number of dollars, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. BAKER. Now, overnight——

The CHAIRMAN. Have you figured out the average number of acres required per year in order to supply the primary use of wheat?

Mr. BAKER. Without any annual reduction in stocks of CCC?

The CHAIRMAN. Under this bill, what would be the actual amount of acreage that would be required to provide the primary bushels of wheat?

Mr. BAKER. Starting with 950 million bushels as being our forecast of what the total requirement for primary uses would be: Take out 150 million bushels, which leaves 800 million bushels. With an average of 20 bushels to the acre, that would be 40 million acres. With somewhat higher yields, it would be a somewhat smaller number of acres.

The CHAIRMAN. Well, the bill that was proposed by me would cut it back about to 41 or 42 million acres.

Mr. BAKER. Well, it would be 55 times 20 if I understand; it would be 80 percent of 55 million acres.

It would be 44, wouldn't it, Senator Ellender?

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The CHAIRMAN. You have got a 5-percent additional cut the second year; you have a 25-percent cut the second year.

Mr. BAKER. Our feeling is that the total market supply for wheat and thereby the acreage allotment—if you use acreage allotment instead of going to bushel quotas—that the acreage allotment in effect has to be cut by equivalent of about 30 percent if we are going to get this thing into order and start cutting down on CCC stocks fast enough to get the program into workable shape.

Senator YOUNG of North Dakota. We don't have a full 55 million acreage now. There must be 2 or 3 million acres in the soil bank anyway—perhaps more.

Mr. BAKER. I saw a figure of 53 or something. Somewhere else it was 54 something.

The CHAIRMAN. I imagine, if there had not been in the original law a minimum acreage for wheat of 55 million acres, they would have started as cotton and rice and other commodities did and could have whittled down that surplus considerably.

Mr. BAKER. That is correct.

The CHAIRMAN. And the cause of the wheat difficulty today is that you have had this minimum acreage of 55 million acres.

Mr. BAKER. Yes, indeed. The wheat program could have been operated just as good, Senator Ellender, as the tobacco program has been operated.

The CHAIRMAN. Rice or cotton?

Mr. BAKER. If you are going to take step one, like a lot of other things you ought to take step two; if you are going to try to stabilize price and income by means of stabilizing market supply, you have got to stabilize market supply or your program won't work.

Senator YOUNG of North Dakota. There is one other great defect in the wheat program and that is this 15-acre provision. You don't have a free ride like that in any other basic commodity.

Mr. BAKER. There are minimum provisions in the tobacco and in the cotton program. They haven't caused quite as much mischief as some believe this 15 minimum acre has in the wheat program.

Senator YOUNG of North Dakota. There isn't any minimum in cotton, is there?

Mr. BAKER. There was a provision of 10 acres or the average planting, whichever smaller, and in the case of tobacco, the minimum was reduced from time to time as the yields in tobacco rose. It is at least .5 acres now or average planting, whichever is the smaller.

The CHAIRMAN. There recently was an adjustment made for farmers who planted cotton. I think it provided something around 350,000 acres to adjust the farmer who planted 10 acres or less.

Mr. BAKER. Yes, sir. That was the provision.

The CHAIRMAN. Yes, but I mean in the original law if you remember, we had, just as you have in wheat, a 5-acre minimum. We did away with that for a while.

Mr. BAKER. Right.

Senator Young yesterday brought up a question which in our huddle last evening, Senator Young, we realized was not only a very serious and sincere question but one which had to be answered and in trying to figure out what the answer is, we think maybe your suggestion that we should make some adjustments in the language of the

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bill might be a good idea. That was with respect to the nonpenalty wheat from prior years being given certificates in the year ahead, the first year of the operation of the program. That is on page 10, section 379d, (b) 2.

We think the change should be made in that to omit the section and make a new section which says that this nonpenalty wheat from prior years would be eligible for whatever loan program it was eligible for in the year in which produced instead of giving it a certificate under the new wheat program.

The CHAIRMAN. Mr. Baker, may I suggest in that connection, that in the light of these hearings you good people ought to meet again to see if you can't adjust some of the questions that came up during the hearing?

Now, I don't know what the committee as a whole is going to order done, but it is my hope that early next week, probably Monday or Tuesday, we will sit around this table until we agree on a bill, because we ought to act as soon as possible——

Mr. BAKER. Agreed.

The CHAIRMAN (continuing). If we are to do anything at all in the field of wheat legislation.

Mr. BAKER. You are so right.

The CHAIRMAN. I would suggest you folks get your heads together, in the light of the criticism that has been lodged about your bill, and if you deem it wise to make corrections to meet that criticism, you will do so in order that we may have any new suggestions you want to make.

Mr. BAKER. Mr. Chairman, all of us most sincerely want to solve this program.

The CHAIRMAN. No more than I, I can tell you that.

Mr. BAKER. And we want to work with you in any way that is legitimate and proper to work out a solution that we can all live with and be proud of.

With respect to the other part of your question yesterday, Senator Young, with respect to millers, Leroy Smith who has had considerable experience over long periods of years in operating national wheat programs suggested that that part of the pipeline supply which in the bill is now written to be given certificates just because it is in the pipeline be limited to where the miller would be eligible for certificates only on his normal stocks on the effective date of the program. That would mean revising the language of paragraph 4 in section 379d(b)(4).

Instead of everything in the pipeline being eligible——

Senator YOUNG of North Dakota. I am not too clear about this thing yet. I was thinking about calling Joe Parker back afterwards. He has been quite an expert in this business. I know all of you are. I am not quite clear as to what happens to this wheat we have on hand at the time.

Mr. BAKER. Let's get Leroy Smith up here. I think you and he can settle this.

He is former Director of the Grain Branch. He really knows the channels of the wheat trade better than anybody I know, Senator Young.

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STATEMENT OF LeROY K. SMITH, VICE CHAIRMAN, PROGRAMS COMMITTEE, NATIONAL ASSOCIATION OF WHEAT GROWERS, FORT COLLINS, COLO.—Resumed

Mr. SMITH. Senator, in our discussion yesterday you brought up the point of the certification of all wheat in the pipelines for the processors and the exporters and in my statement I said that also includes any wheat that farmers might own that they could have sold, produced in prior years which they could have sold without penalty.

That is the way the bill is written now.

Senator YOUNG of North Dakota. You have two farmers. One of them sold his wheat for cash. The other one took a loan and the Government would have a loan program at that time. The one who sold his wheat for cash no longer has any wheat. The other farmer could redeem that loan. He would have——

Mr. SMITH. Higher price?

Senator YOUNG of North Dakota. Yes.

Mr. SMITH. That is the way the law is written now but the change that John and I discussed last night and I believe would remedy that and answer the Department's criticism that they would be able to move this wheat at a higher price could be handled by simply saying that it would not be certified but not force them to put it into secondary use by simply saying that it would be eligible for support. We could put them all together, the man who had his own, the man who chose to sell would be eligible for support at the support rate which would have been in effect for the year in which it was produced.

Senator MUNDT. If he just ran that transaction for prior wheat on the basis of the old program?

Mr. SMITH. Right. And it will not change the position of commodity credit because as I stated yesterday at the end of each marketing year commodity credit has in their possession practically all the wheat that is not in the pipeline.

The CHAIRMAN. Eventually it would be owned by the Commodity Credit Corporation.

Mr. SMITH. That is right, and there would be no windfall for anyone.

Senator MUNDT. It is no different, Mr. Chairman, as I understand it from what would happen if we did nothing, if we passed no bill. Do exactly as was done before.

Mr. SMITH. Exactly right, Senator.

Senator MUNDT. How about the other angle you were going to talk about?

Mr. BAKER. The millers.

Mr. SMITH. That, of course, ties right in with it. In order to prevent them from going into the open market and buying supplies that would last them over a period greater than they normally would an order could be placed that their limitations would be an average supply. Such an order as that would have to vary as we go through.

In other words, the mills in the South would have to establish their average as of, we will say, June 1, and the millers in the spring wheat area would have to have it as far as August 1, Senator Young, because

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of the market year. And to keep them to an average supply there would be absolutely no windfall for them.

That sort of an order is similar to what was exercised during the war. I recall distinctly in 1948 when we were short of wheat and wanted to get as much out of, I believe it was the 1948 crop, as we possibly could for the European feeding program, we placed an order on mills that they had to reduce their inventory to the average that they had over a period of years, and the order was easily administered and very, very effective.

I see no reason why it couldn't be done in this case.

The CHAIRMAN. It sounds reasonable.

Senator YOUNG of North Dakota. I think it is.

The CHAIRMAN. Any further questions?

Thank you very much.

Mr. BAKER. Thank you, Mr. Chairman.

The CHAIRMAN. All right.

Mr. Knappen and Mr. Owens, will both of you come up please? Just identify yourselves.

What is your full name?

Mr. KNAPPEN. C. B. Knappen, Jr.

The CHAIRMAN. All right.

STATEMENT OF ANTHONY C. OWENS, REPRESENTING THE GRAIN LEGISLATIVE COMMITTEE, NATIONAL SOFT WHEAT MILLERS' ASSOCIATION, MINNEAPOLIS, MINN.

Mr. OWENS. Mr. Chairman and members of the committee, my name is Anthony C. Owens. I am employed by the Pillsbury Co. of Minneapolis, Minn., as director of grain procurement. In this capacity, I am responsible for buying all the milling wheat which Pillsbury uses nationally. This includes a substantial amount of Soft Red and Eastern White wheat.

At this hearing I represent the Grain Legislative Committee of the National Soft Wheat Millers' Association. The following statement has been prepared by this committee:

The increased prospects of legislation substantially altering the wheat control program prompts us again to emphasize certain facts relating to the supply of and demand for soft wheat in the eastern half of the United States.

In presenting this information, we speak directly for the National Soft Wheat Millers' Association, whose members account for approximately 75 percent of the commercial soft wheat flour production in the eastern half of the country. In addition, we speak indirectly for the merchandisers of soft wheat, the consumers of soft wheat flour, and for the very large number of farmers scattered through the soft wheat area who for generations have produced soft wheat on small acreages for a cash crop and as an important part of their crop rotation schedule.

Our position is briefly outlined in the following summary, which also appears under item No. 16 in the attached statement. We respectfully ask that you give this material your careful consideration in evaluating any proposed changes in wheat control legislation.

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(1) Soft wheat is a particular kind of wheat needed for particular purposes in which there is no satisfactory substitute for it.

(2) There is no surplus of soft wheat in the eastern half of the United States. Present production is barely adequate for historically proven needs.

Senator YOUNG of North Dakota. Would you mind a question at that point?

If it wasn't for the export subsidy on soft wheat you would have more adequate supplies, wouldn't you? With respect to Durum, there is no surplus and it is not eligible for export subsidy like soft wheat is?

Mr. OWENS. You are quite right, Senator.

Now, I believe that the exports this year of soft wheat are estimated at about 29 million bushels. After that is taken out we expect a carryover on July 1 of this year of about 10 billion bushels of soft wheat, of which I think the Government will own 1 or 2 million bushels.

We do have this export outlet and we do have importing nations which have historically preferred Soft Miller Association surplus, as Germany, Poland, United Kingdom.

Senator YOUNG of North Dakota. It would be very easy to sell Durum wheat, too, if you had export subsidy.

Mr. OWENS. I agree with you. I was Durum buyer for years and I am very familiar with that.

Point No. 3. Soft wheat is grown by a great many farmers on small plots.

(4) The present production of these small farms is absolutely essential to maintenance of minimum stocks of soft wheat. Even the present inadequate production is achieved only by use of the 15-acre exemption from quotas.

(5) Any revision in legislation which cuts back small farm acreage is certain to be harmful to soft wheat supplies. It easily could be disastrous.

Now, going into our soft wheat facts.

We have three pages of this and we have exhibit A attached.

Point 1. Soft wheat is the principal kind of wheat raised east of the Mississippi River. There are two types: Soft Red and Soft White. Soft Red wheat is raised in this general area and also in appreciable amount in Missouri, Arkansas, and Louisiana. It should be noted that both Illinois and Missouri also raise considerable Hard Winter wheat and that most of Wisconsin's limited production is in Spring wheat. In 1959 the 10 principal Soft Red wheat States were Ohio, Indiana, Illinois, Pennsylvania, Missouri, North Carolina, Virginia, Michigan, Kentucky, and Maryland. Eastern Soft White wheat production is concentrated in Michigan and New York.

Our exhibit No. 1 indicates by vertical shading that we are talking about States that are mainly east of the Mississippi River.

Point No. 2. Soft wheat has a well-defined and long-accepted special use in chemically leavened as opposed to yeast-leavened, products. It is also widely used in flour for home baking sold in the eastern half of the United States. No other type of wheat makes a satisfactory substitute for it.

(3) Historically, the soft wheat area has a tradition of wheat production running back as long as this country has existed. No other area has produced wheat for so long a period.

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(4) Wheat acreage in the soft wheat area has declined over the years and is now very closely in line with actual proven needs. Any further reduction would create an actual shortage.

Senator MUNDT. If that shortage would occur, is there any other kind of wheat-blending process that can supply an adequate amount of flour from other kinds of wheat?

Mr. OWENS. I would just like to touch on that for a moment.

As a grain buyer—and I think that someone reflected upon us grain buyers a moment ago—I buy about 400,000 bushels of Hard Red Spring wheat a week, each week, and a lot of it comes from North Dakota. It makes a flour that produces an excellent loaf of bread, but it will not make cake flour.

Now, I am employed by a company that sells millions of cases of cake mixes, and we think we put the finest cake flour into that mix that we could possibly make, and we cannot use anything but soft wheat for it. I mean there is no substitute for it.

Senator MUNDT. Thank you.

Senator YOUNG of North Dakota. You could use western soft wheat, couldn't you?

Mr. OWENS. Most of our west—I don't want to talk about western wheats, even though we buy a lot of western wheats which we mill at Ogden and our California mills and also up in Oregon, but our Western White wheat is lower in protein. It is weaker in gluten characteristics and it will not make the same type of cake that our eastern soft wheat people make.

There is a very small amount of Soft Red wheat ground up in Washington, but I would guess it is less than 100,000 bushels.

Senator MUNDT. Is this because of soil and climate conditions that you can't raise these different wheats in different areas or is it because of the farming habits and seeding habits of the farmers.

Mr. OWENS. It is a combination of both.

The CHAIRMAN. Principally soil, isn't it?

Mr. OWENS. Soil is certainly an important consideration.

The CHAIRMAN. It is the same with tobacco. The only place in the world where you can grow the perique tobacco which is used for pipe smokers is in Louisiana.

Senator MUNDT. You take good care of that part of Louisiana, will you, Mr. Senator? We don't want to run out of pipe smokers.

The CHAIRMAN. Proceed, sir.

Senator MUNDT. I mean sometimes farming gets into certain channels of habit.

The CHAIRMAN. It is the land.

Mr. OWENS. That is certainly true. And the climate factors are important, too.

Senator YOUNG of North Dakota. That is true of durum. 85 percent of our total production is produced in my State and practically all of that in what is known as the durum triangle in the northern part of the State. You have to have the right climate and the right soil.

Mr. OWENS. A little bit in Arizona, too, and Nevada. There is a very small amount of Durum wheat.

The CHAIRMAN. But it is also true about potatoes, you know; Idaho potatoes, for example.

Proceed, sir.

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Mr. OWENS. Point No. 5.

Now we have taken 1910 to 1914 as a normal base period only because that has often been referred to in this parity concept previously talked about.

The record shows a 38-percent acreage decline in the soft wheat area by 1959. In the same period of time hard wheat acreage increased by 87 percent, spring wheat acreage decreased by 18 percent and western wheat acreage increased by 15 percent.

Now, we have an exhibit No. II which shows that in a paragraph. It shows whereas in the 1910–14 period we had 15,931,000 acres of soft wheat seeded that has declined and last year we had 9,654,000.

Senator SCHOEPPEL. What do you consider caused the decline? Was it because premiums weren't sufficiently high to warrant going into it?

Mr. OWENS. I think there would be a number of reasons for it. I am enough of a believer in supplying demands and basic economics to think that price is an important consideration, but price in itself doesn't settle some of these points.

For example, I know in the next 10 weeks, it is quite conceivable that the price of Soft Red Winter wheat could go up to a level that could be substantially higher than the price of Kansas wheat delivered in Chicago. It is just possible. But in our business this price consideration, we will pay the price to get what we have to have.

Now, point No. 6. Soft wheat is grown on a great many small farms, as it always has been grown. In 1958, 713,427 farms in the soft wheat areas raised wheat. This is 56 percent of all the wheat-producing farms in the whole country.

We have exhibit III that just portrays that.

The CHAIRMAN. Those exhibits will be placed in the record and made a part of the record.

Mr. OWENS. Point No. 7. Even more indicative of the characteristic size of soft wheat area farms is the fact that in 1958, 579,549 of them produced wheat on allotments of 15 acres or less. Wheat grown on these small farms accounted for slightly more than 63 percent of the total production in the soft wheat area, vastly more than small farms accounted for in any other area. Any legislation restricting the existing right of small farmers to raise wheat will seriously affect a great many farmers in the soft wheat States.

8. Soft wheat is grown to be used, not for sale to the Government. Only 7.5 percent of the 1959 crop in the soft wheat area had been put under support by January 31, 1960. Comparable figures in other areas ranged from 22.2 to 38.6 percent.

Senator YOUNG of North Dakota. Most of it isn't eligible for support, is it? It was raised in the 15-acre provision. It is not eligible for support.

Mr. OWENS. It is my understanding that it is.

Mr. KNAPPENS. No.

Mr. OWENS. Up to 15 you can market without a penalty. That is right. I am sorry.

Point No. 9. Soft wheat is used. The average carryover in 1948–57 was 28 million bushels—about 20 percent of the average annual domestic usage. The carryover for July 1, 1960, is estimated at only

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9 million bushels—about 24 days' domestic usage. This is far below the limits of safety. No other class of wheat has anything like such a proportionately small carryover and for Hard Red Winter wheat the carryover on July 1, 1960, is estimated at over 4 years' domestic usage.

10. There is no surplus of soft wheat.

Senator YOUNG of North Dakota. Will you back up there a minute. You say no other class of wheat has anything like such a proportionate small carryover.

You know something about Durum wheat. That isn't a true statement, is it? I just told you that Durum wheat has no export subsidy. Still, there is practically no carryover of Durum at all. This soft wheat does have an export subsidy.

Mr. OWENS. Twelve million bushels we estimated.

The two are comparable except that, of course, Durum is once again—we only raised 24 or 26 million bushels of Durum, I think last year it was, perhaps about 22, wasn't it?

Senator YOUNG of North Dakota. Yes, but normal production in years past was about 35 million bushels. If you eliminate export subsidy for soft wheat like in Durum wheat your stocks would be piling up, too.

The CHAIRMAN. Proceed.

Senator MUNDT. At that point could you give us the number of bushels that have been exported of soft wheat? You say it is below the national safety level which sounded sensible to me but I wondered how many bushels were exported.

Mr. OWENS. The last figures that I have and perhaps you can substantiate this, we had about 20 million exported in the form of grain and there is some question about the amount that has gone out in the form of flour but I think we are estimating for the entire year counting the Red wheat that has been sold for June at 37 million.

Senator YOUNG of North Dakota. For which an export subsidy is paid?

Mr. OWENS. I think so. I think subsidies are paid on all exports.

Senator YOUNG of North Dakota. With the exception of Durum, and none is exported because there is no export subsidy.

Mr. OWENS. We have exported.

Senator MUNDT. Would you validate your statement that is is far below your limits of safety and if you could add that 37 million bushels to the 9 million carryover, you would have 46 million bushels of soft wheat left?

Mr. OWENS. If we had no exports at all, you are correct.

Senator MUNDT. Well, if you had no export subsidy would you have any exports?

Mr. OWENS. Yes. Our wheat prices—after all, our freight to Chicago is $2.12 a bushel; it says a subsidy of 60 or 61 cents to get it down to the world level.

Senator MUNDT. The point I am trying to make, if there is too small a carryover of soft wheat, in order to be in the limits of safety, the cause for that is, we have been paying an export subsidy to exporters abroad; is that right?

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Mr. OWENS. That is right.

Senator MUNDT. If we didn't do that, we would have a little safety?

Mr. OWENS. I might just touch on this. Our soft wheat crop last year was about 165 million bushels. We had about a 19-million bushel carryover on July 1, giving us a total available of 94 million.

The CHAIRMAN. What part of the country is that?

Mr. OWENS. That is east of the Mississippi River.

The CHAIRMAN. You do not include the rest of the country?

Mr. OWENS. No.

And our domestic requirements are about 188 million. If we have exports of 37, we get down to about a 9 million carryover.

If we had a serious winter problem, and had a sharp cutback in production, there would be absolutely nothing available for export.

In other areas of the country—bear in mind that my interests in wheat are national, we operate mills in the Southwest as well as in the Pacific Northwest—but the exports in other areas, let us put it that way, are much more essential than they are east of the river.

Senator HART. May I ask a question on that? Export subsidies exist for all except Durum?

Senator YOUNG of North Dakota. That is right.

Senator HART. And all except Durum and White are in substantial surplus; is that right?

Senator YOUNG of North Dakota. I think that is right.

Senator HART. So if we are going to legislate with respect to all except Durum, it still remains valid that with respect to soft wheat we will be producing a shortage unless we make further adjustment, namely, the elimination of the export.

Senator YOUNG of North Dakota. If you discontinued export subsidies, as would have been the case for Durum, you would have some.

Senator HART. I say, unless.

Senator YOUNG of North Dakota. I might say this, that the export subsidy for soft wheat is of course less than it is for hard wheat; usually the average is lower.

The CHAIRMAN. According to the figures I have before me, the CCC-owned stocks by class of wheat shows that of White wheat there was 55,575,000 bushels owned by the CCC, but the most of that, of course, was in the Portland area, 45 million of that was in that area, and very little in the Evanston area, which is your area, and the Minneapolis area.

Mr. OWENS. Point No. 11.

Even the present dangerously balanced soft wheat production is maintained only by the harvest of small farms, including that from excess acres of small noncomplying farms. In 1958 the production on this excess small-farm acreage in the soft wheat area was 93,558,000 bushels. About 72 million of this was soft wheat—58 million soft Red and 14 million Soft White. The Soft Red wheat crop that year was 195 million bushels.

Without these excess acres, production would have been only 137 million, or actually 2 million less than domestic usage. Nor could this deficit have readily been made up from carryover, for 1958 was the year when carryover on July 1 amounted to only 6 million bushels—exhibit VIII.

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12. It is of the utmost importance that new wheat legislation not foreclose the historical right of small farmers in the soft wheat area to produce at least as much soft wheat as they now raise. The wheat is needed; there is no other source for it, and it in no way contributes to the surplus buildup.

13. Especially disturbing are proposals to reduce all wheat acreage by a fixed percentage. If all wheat acreage were reduced by 20 percent, as has been proposed, the result would be the creation of a real shortage of soft wheat. In 1959 the soft red wheat crop was estimated by USDA at 165 million bushels. A 20-percent reduction would have meant a crop of 132 million, or 6 million less than anticipated domestic consumption, not to mention even minimum export requirements. Plainly this is ridiculous. It would be both unfair and unwise to penalize the only wheat-producing area which consistently keeps its production in line with demand.

The CHAIRMAN. To what extent would the soft wheatgrowers in your area curtail their production if it were not for the price supports that are now in effect?

Mr. OWENS. I don't believe I can answer that question.

The CHAIRMAN. Proceed.

Mr. OWENS. Point 14, proposals to pay in kind for reducing wheat acreage would be impossible to put into effect for soft-wheat farmers, if what is meant is payment in wheat of the kind the farmers would have grown, because the Government simply does not have the soft wheat to make such payments.

15. What actually is needed for soft wheat is a small but steady increase in production until a consistently adequate carryover has been provided. The present extremely low carryover is a very real danger, a severely short crop or a crop failure could be disastrous for processors and consumers of soft wheat.

16. In summary:

(1) Soft wheat is a particular kind of wheat needed for particular purposes in which there is no satisfactory substitute for it.

(2) There is no surplus of soft wheat in the eastern half of the United States. Present production is barely adequate for historically proven needs.

(3) Soft wheat is grown by a great many farmers on small plots.

(4) The present production of these small farms is absolutely essential to maintenance of minimum stocks of soft wheat. Even the present inadequate production is achieved only by use of the 15-acre exemption from marketing quotas.

(5) Any revision in legislation which cuts back small farm acreage is certain to be harmful to soft wheat supplies. It easily could be disastrous.

(Exhibits I to VIII referred to follow:)

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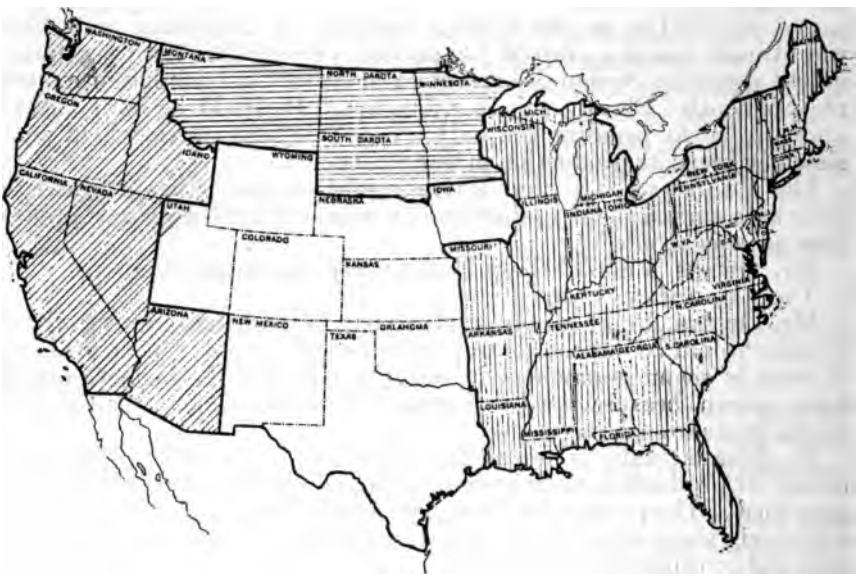
EXHIBIT I

WHEAT RAISING AREAS



SOFT WHEAT AREA

HARD WHEAT AREA

SPRING WHEAT AREA

WESTERN WHITE WHEAT AREA

Source: Derived from data in "Distribution of the Varieties and Classes of Wheat in the United States in 1954", United States Department of Agriculture

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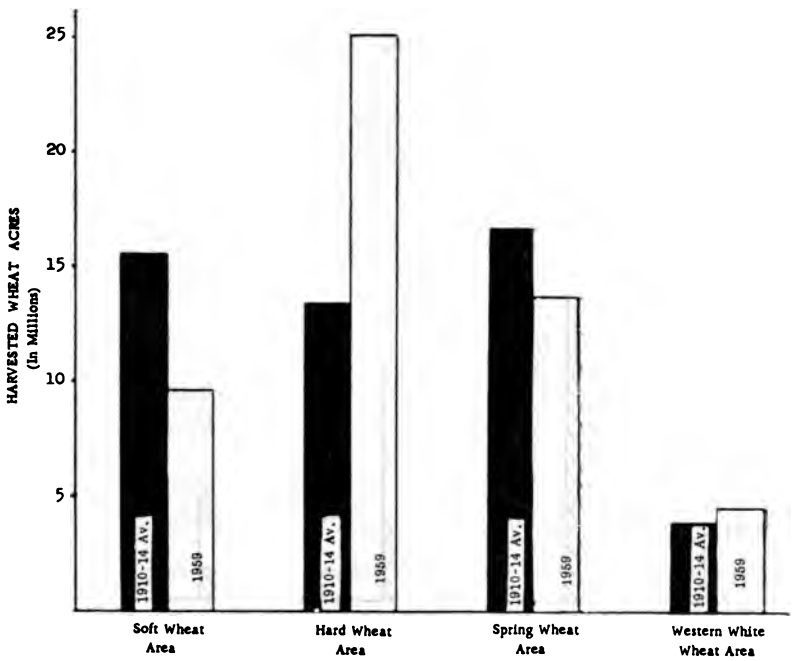
EXHIBIT II

Historical Comparison of Harvested Wheat Acreage

(000 Acres)

	Average 1910-14	1959	Percent of change 1910-14 to 1959
Soft Wheat Area	15,591	9,654	- 38
Hard Wheat Area	13,421	25,129	+ 87
Spring Wheat Area	16,744	13,740	- 18
Western White Wheat Area	3,901	4,501	+ 15
U. S.	49,657	53,024	+ 7



Sources: 1910-14 data from Yearbooks of the Chicago Board of Trade, credited therein to the U. S. Department of Agriculture.

1959 data from "Crop Production 1959 Annual Survey", U. S. Department of Agriculture.

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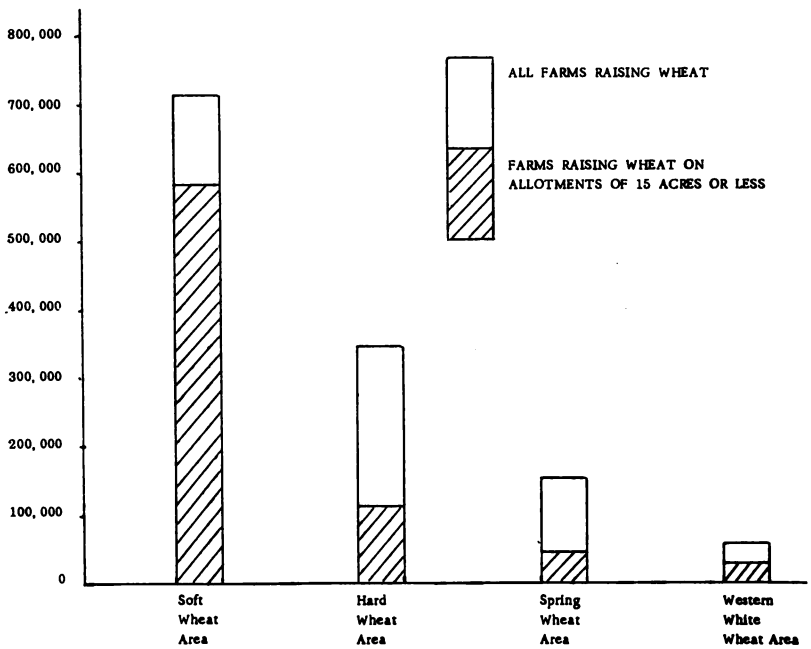
EXHIBIT III

Farms Raising Wheat

1958

	All Farms Raising Wheat		Farms Raising Wheat On Allotments of 15 Acres or less	
	No.	Percent	No.	Percent
Soft Wheat Area	713,427	56	579,549	76
Hard Wheat Area	340,239	27	112,703	15
Spring Wheat Area	156,586	12	40,391	5
Western White Wheat Area	56,674	5	31,250	4
U. S.	1,266,926	100	763,893	100



Sources: "Wheat: Frequency Distribution of all Farms by Size of Acreage Planted, 1958", U. S. Department of Agriculture.

"Wheat: Estimated 1958 Performance of Small Wheat Farms with Allotments of 15 Acres or Less", U.S. Department of Agriculture.

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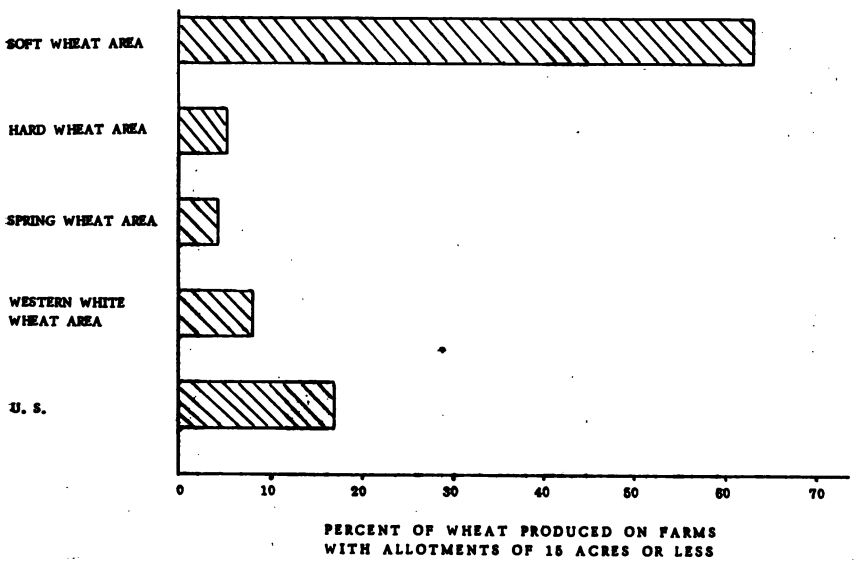
EXHIBIT IV

Farms Raising Wheat on Allotments of 15 Acres or Less

(Commercial States Only)

1958

	Number Farms	Estimated Production (000 Bu.)	Total Wheat Production (000 Bu.)	Percentage Produced on Farms with Allotments of 15 Acres or Less
Soft Wheat Area	579,549	180,220	285,644	63.1
Hard Wheat Area	112,703	36,726	687,604	5.3
Spring Wheat Area	40,391	13,730	330,321	4.1
Western White Wheat Area	31,250	11,452	148,611	7.7
U. S.	763,893	242,128	1,452,180	16.7



Sources: Derived from data in "Wheat: Estimated 1958 Performance of Small Farms with Allotments of 15 Acres or Less", and "Crop Production 1959 Annual Survey", both published by U.S. Department of Agriculture.

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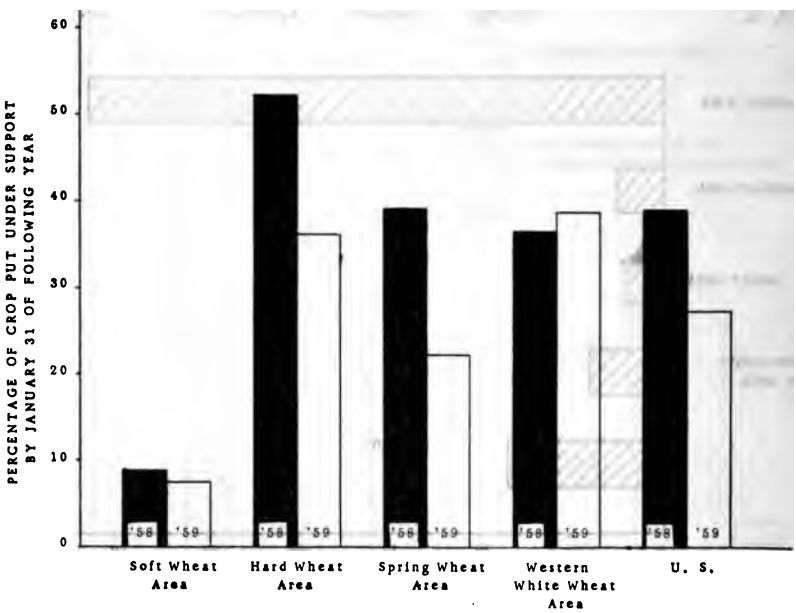
EXHIBIT V

Wheat Placed Under Support

(000 Bu.)

	1958 Crop			1959 Crop		
	Production	Put Under Support by 1/31/59	% Under Support	Production	Put Under Support by 1/31/60	% Under Support
Soft Wheat Area	290,520	25,589	8.8	248,868	18,678	7.5
Hard Wheat Area	687,604	358,664	52.2	500,869	180,545	36.0
Spring Wheat Area	330,321	127,501	38.6	220,733	48,890	22.2
Western White Wheat Area	153,269	56,827	37.1	157,681	60,829	38.6
U.S.	1,461,714	568,581	38.9	1,128,151	308,942	27.4



Sources: 1958 support data from "The Wheat Situation" for February, 1959, p.36. 1959 support data from "The Wheat Situation" for February, 1960, p.16, U.S. Department of Agriculture.

Production data from "Crop Production 1959 Annual Survey", U.S. Department of Agriculture.

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EXHIBIT VI(a).—*Estimated supply and distribution of wheat by classes, year beginning July 1*

[Million bushels]

All wheat	Stocks July 1	Production	Imports	Supply	Exports	Domestic disappearance	Carry-over
Average 1948–57	610	1,075	11	1,696	378	639	679
1958	881	1,462	8	2,351	447	625	1,279
Estimated, 1959	1,279	1,128	8	2,415	452	621	1,342
Soft Red Winter:							
Average, 1948–57	29	185		214	44	142	28
1958	6	195		201	43	139	19
Estimated 1959	19	165		184	37	138	9
Hard Red Winter:							
Average, 1948–57	381	503		884	200	252	432
1958	614	838		1,452	257	257	938
Estimated 1959	938	618		1,556	233	262	1,061
Hard Red Spring:							
Average 1948–57	131	193	11	335	38	150	147
1958	203	233	8	444	47	150	247
Estimated 1959	247	152	8	407	50	145	212
White:							
Average, 1948–57	56	164		220	91	71	58
1958	33	174		207	99	51	57
Estimated 1959	57	172		229	131	50	48
Durum:							
Average 1948–57	13	30		43	5	24	14
1958	25	22		47	1	28	18
Estimated 1959	18	21		39	1	26	12

Source: Years 1948 through 1955 from "The Wheat Situation" for February 1958, p. 11. Years 1956 through 1958 from "The Wheat Situation" for February 1960, p. 10, U.S. Department of Agriculture. Data for 1959–60 are based on recent information from the Department of Agriculture.

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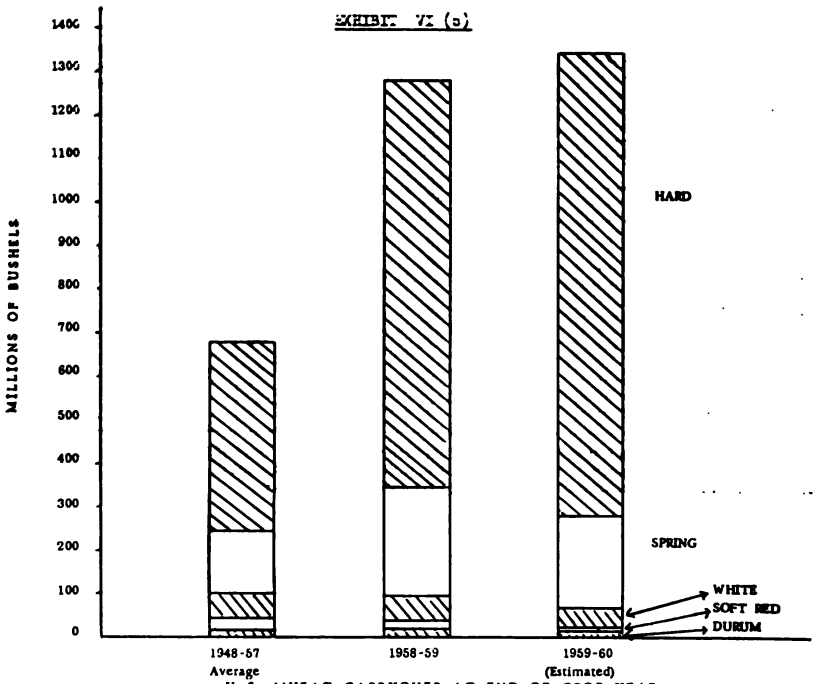
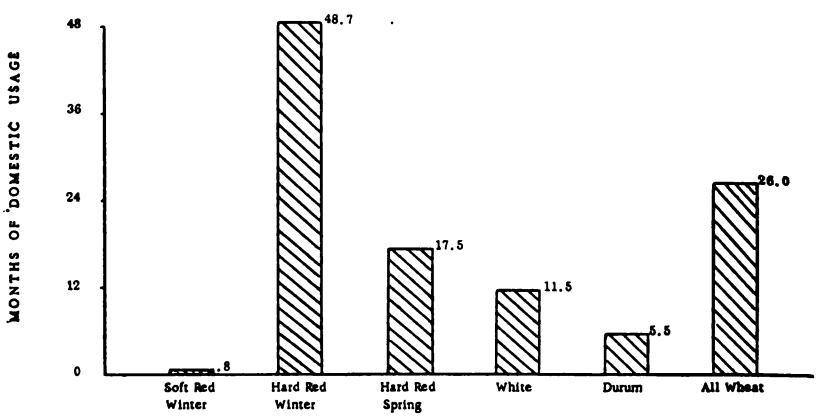
EXHIBIT VI (a)



U.S. WHEAT CARRYOVER AT END OF CROP YEAR



ESTIMATED CARRYOVER JULY 1, 1960

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EXHIBIT VII.—*CCC-owned wheat, by classes, Jan. 1, 1960*

[Bushels]

Hard Winter	843, 592, 000
Hard Spring	185, 455, 000
White	[1] 54, 575, 000
Durum	9, 788, 000
Mixed	1, 884, 000
Soft Winter	669, 000
Balancing item	—1, 002, 000
Total	1, 094, 961, 000

[1] 15,000 bushels of this was reported by the Evanston office. Presumably this is all the Eastern Soft White wheat owned by CCC.

Source: "The Wheat Situation" for February 1960, p. 34, U.S. Department of Agriculture.

EXHIBIT VIII.—*Wheat production on noncomplying farms with allotments of 15 acres or less, commercial States only, 1958*

[Thousand bushels]

	Estimated allotment production	Estimated actual production	Difference
Soft wheat area	67, 367	160, 925	[1] 93, 558
Hard wheat area	9, 997	33, 234	23, 237
Spring wheat area	2, 271	12, 595	10, 324
Western White wheat area	3, 175	10, 363	7, 188
United States	82, 810	217, 117	134, 307

[1] 72,000,000 bushels of this is estimated to be soft wheat (58,000,000 Soft Red and 14,000,000 Soft White).

Overquota production on small soft wheat farms is needed

	Million bushels
Total Soft Red wheat production in 1958	195
Produced on small farm overquota acreage	58
Total	137
Actual domestic consumption	139
Domestic deficit (without overquota production on small farms)	2
Exported in 1958–59	43
Total projected deficit (without overquota production on small farms)	45

Source: Derived from data in "Wheat: Estimated 1958 Performance of Small Wheat Farms With Allotments of 15 Acres or Less," "Crop Production, 1959 Annual Survey," and "The Wheat Situation" for February 1960, all published by U.S. Department of Agriculture.

Mr. OWENS. I have Mr. Knappen with me, of the Knappen Milling Co. of Augusta, Mich., who will speak about Soft White wheat and the peculiar situation we have in the eastern area.

The CHAIRMAN. I wonder if you would tell us, how much do you pay for wheat?

Mr. OWENS. Per bushel?

The CHAIRMAN. What has been your price?

Mr. OWENS. In the Chicago area during the past 6 months I would estimate that our wheat price has been about $2.04 a bushel.

Senator YOUNG of North Dakota. That is about 20 cents a bushel below the Hard Red Spring at Minneapolis.

Mr. OWENS. The price support on Hard Red in Minneapolis is $2.19 for ordinary.

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Senator YOUNG of North Dakota. You are talking about cash wheat, are you?

Mr. OWENS. Yes. The price support in Minneapolis on No. 1 ordinary spring wheat is $2.19 per bushel. There is a 3-cent premium permitted for 13 protein under the price support program.

On last night's close 13 protein was trading at $2.22⅝ delivered at Minneapolis, or just barely above the price support level.

In Chicago, on last night's close Chicago soft wheat was trading at 4½ over $2.12½, and the price support in Chicago was $2.12.

The CHAIRMAN. So the payment that you made for wheat was just above or just about what the price support would be; is that correct?

Mr. OWENS. That is correct.

The CHAIRMAN. Now, to go back to the question I asked a moment ago, if you did not have the price support to encourage the farmers to plant this soft wheat, do you think they would continue to plant it?

Mr. OWENS. Yes, Mr. Chairman, I do think they would continue planting it, because in the Central States soft wheat is grown largely as a cash crop.

Take Illinois. The State of Illinois raises over a billion bushels of all grains, it is a large agricultural State. Wheat production would perhaps average over the past 10 years about 37 or 38 million bushels, of which 50 percent is hard approximately, and about 50 percent soft.

It is true that during the crop movement in the early part of the crop year that wheat will trade around $1.90 or $1.95 in Chicago. But of course your effect alone in the early part of the crop loan is the full loan minus the warehousing charges which gets it down close to the $2 level, I guess.

To answer your question——

The CHAIRMAN. What do you think wheat would sell for if there were no price supports?

Mr. OWENS. I think that if there were no price supports, that the price of Soft Red Winter wheat in the East would be relatively higher than it might be for Hard Winter wheat in the Southwest, simply because of the supply——

The CHAIRMAN. What would that amount to?

Give it to us in dollars and cents, if you can.

Mr. OWENS. It is just an estimate—and this is a matter of opinion—but it would seem to me that if we had no price support program that Hard Winter wheat in the Oklahoma area——

The CHAIRMAN. Let's talk about your area now. I am talking about soft wheat, that is the subject of the discussion.

Mr. OWENS. I would guess that it would trade around $1.80 a bushel.

The CHAIRMAN. The same as it is now?

Of course, that is the support price, $1.80.

Mr. OWENS. I am talking about delivered to Chicago. Last night it was about $2.12½.

The CHAIRMAN. Any further questions?

Senator MUNDT. Yes.

You have been buying a lot of this soft wheat, and during 1960, what percentage of parity have you been paying for soft wheat, roughly?

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Mr. OWENS. I would guess that the figure is pretty close to 75 or 80 percent of parity.

The CHAIRMAN. The support price.

Senator MUNDT. Let us now assume that you pay parity for the wheat, from which you make cake and pastry flour. It seems to me that your manufacturing costs in the aggregate must be a great deal more of the total than the cost of the raw material.

Could you give us any guidance or any figures on that?

Would it have any great effect or impact on the ultimate consumer if you paid 100 percent parity for just soft wheat as against getting it at 80 percent?

I am talking about the fellow now why buys the flour and who buys the prepared cake.

Mr. OWENS. If we were to take a mill like our mill in Louisville, Ky., in the heart of the soft wheat country, where we manufacture flour that is sold to consumers for bread and biscuit purposes and cake, cookies, and pie use, the margin that we get over the material cost is amazingly small. We operate on about a 1½-cent profit on our sales dollar.

So I can only say that if our material, if the cost of our material goes up, it would follow that that increased cost of material has to be passed on to the consumer.

Senator MUNDT. You did not quite get my question.

My question was, what percentage of the total cost of your finished product was represented by what you paid for the raw material?

Mr. OWENS. I can figure it pretty easily for you. I would love to tell you about Oklahoma, where I saw some flour sold last week at 6 cents a hundredweight over the material cost, with your manufacturing cost about 36 cents a hundredweight. But we took—I would say that a 10-percent markup over your material cost will cover your cost of manufacturing and give you a very small profit.

Senator MUNDT. You are talking now just about flour, you are not talking about the finished cake?

Mr. OWENS. That is true, because there are many other ingredients in it. I don't think flour is over 28 percent of the ingredients in the cake mix.

Senator MUNDT. Twenty-eight percent of the cost——

Mr. OWENS. It depends upon the type of mix, but it is one of a number of ingredients.

Senator MUNDT. Pillsbury does not sell finished cakes hermetically sealed, it just sells flour?

Mr. OWENS. We do not sell finished cakes, we sell flour, we sell refrigerated foods of various types.

Senator MUNDT. Do you sell finished bread?

Mr. OWENS. No.

Senator MUNDT. You are primarily a flour manufacturer?

Mr. OWENS. Yes.

Senator MUNDT. Would your experience in this industry enable you to shed any light on what percentage of the cost of the finished cake after it has been baked, or the finished loaf of bread, is represented by the flour?

Mr. OWENS. I do not have that information. Obviously my job is——

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Senator MUNDT. It would be certainly substantially smaller than it would be in terms of the finished product?

Mr. OWENS. I would think so; yes.

Senator YOUNG of North Dakota. Mr. Chairman, I would like to ask one question.

Yesterday, Mr. Shuman, president of the Farm Bureau Federation, made a statement that if their plan was adopted, that would be reducing price supports of wheat to the equivalent of its feed value with corn, $1.20, $1.30 a bushel, and with the elimination of acreage allotment, that the wheat production would switch back to the commercial wheat areas such as North Dakota. I gathered that he figured these 15-acre farmers would go out of business in Illinois and Ohio and Indiana, Michigan, and so forth.

Would you agree with that?

Mr. OWENS. Senator, I think that is a matter of opinion, and in this case I would be inclined to disagree with him.

Senator YOUNG of North Dakota. I would, too.

The CHAIRMAN. All right; you may proceed, sir.

STATEMENT OF CHARLES B. KNAPPEN, JR., REPRESENTING THE GRAIN LEGISLATIVE COMMITTEE, NATIONAL SOFT WHEAT MILLERS' ASSOCIATION AND THE MICHIGAN MILLERS' ASSOCIATION, AUGUSTA, MICH.

Mr. KNAPPEN. My name is Charles B. Knappen, Jr. I am assistant general manager of the Knappen Milling Co. of Augusta, Mich. This company manufactures flour and cereal bran flakes from eastern production Soft White wheat. It also merchandises this same wheat to other processors and wheat buyers both domestic and export.

At this hearing I represent the Grain Legislative Committee of the National Soft Wheat Millers' Association, and the Michigan Millers' Association.

The production, use, carryover, and contribution to total wheat surplus for eastern production Soft White wheat is similar to the same facts as exist for Soft Red wheat. The actual figures as to involvement in support programs, takeover by CCC and carryover supplies are included in USDA figures for all White wheat, and are not, as such, available for eastern production White wheat.

Facts on this Eastern White wheat being what they are, our associations feel that this committee should be made aware of the situation. The following is an appraisal of this situation and minimum recommendations in this regard:

1. Eastern White wheat is grown principally in Michigan with some production in New York and a small amount in Ohio. The size and type of farms on which it is grown are essentially the same as those which grow Soft Red wheat.

2. Eastern White wheat is used for manufacture of cookies, crackers, cakes, and ready-to-eat cereals. It also has wide acceptance in the family or grocery-store flour trade.

3. There is very little eastern white wheat carried over from year to year. In June and July of 1958, prior to the harvest of the 1958 crop, some processors actually ran out of white wheat. Mills were

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shut down for short periods during this time as, until harvest of the new crop, no wheat was available to them. The 1959 crop will be practically gone prior to the harvest of the 1960 crop.

4. Eastern white wheat has not contributed to the wheat surplus. As of January 1, 1960, the Evanston office of CCC owned only 15,000 bushels of white wheat. Presumably this is all the eastern production white wheat in the surplus as of that date. Further, of that small percentage of 1959 crop which entered the support program, practically all was redeemed prior to takeover on April 1, 1960.

For the above reasons, and further based on knowledge and experience as a processor, and supplier to other processors of eastern white wheat, I submit the following to insure at least minimum requirements of this type of wheat to the industries dependent on it.

1. The current level of production of eastern white wheat must be protected in any legislation which applies to wheat.

2. The 15-acre exemption must be maintained without curtailment or elimination.

If I might add to that—unless a supply is protected by some other means.

The CHAIRMAN. Thank you, sir.

Any questions?

Senator HART. Mr. Chairman, I should like to advise the committee that the Knappen family is a family long connected with this business, and I am proud to report that we are listening to a very distinguished citizen.

The CHAIRMAN. Thank you, sir.

Mr. Bell.

STATEMENTS OF CLAUDE BELL, PRESIDENT, RAWLINS COUNTY WHEAT PRODUCERS, McDONALD, KANS.; AND JOHN L. KITE, REPRESENTING THE CHEYENNE COUNTY WHEAT PRODUCERS, ST. FRANCIS, KANS.

Mr. BELL. Mr. Chairman, I am Claude Bell. My residence is McDonald, Rawlins County, Kans. I am a farmer and a member of the Kansas Legislature, and I represent the Rawlins County Wheat Producers, Inc.

With me, and representing the Cheyenne County Wheat Producers, Inc., is John G. Kite, attorney, of St. Francis, Cheyenne County, Kans.

The Rawlins County Wheat Producers, Inc., and the Cheyenne County Wheat Producers, Inc., as well as four other corporations with the same views in mind, are corporations organized not for profit, and came into being as a result of inequities in the Agricultural Adjustment Act of 1938, as amended, and the regulations under which it is administered.

The wheat-acreage allotments and wheat quotas for these western Kansas counties have not been administered according to the law and the regulations in effect.

When allotments were established in 1953 for the crop year of 1954, the histories for the individual farms were utterly disregarded. In the northwest counties of Kansas a rule was established, without reducing the rule to writing, that the base acreage for the farms for

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the 1954 crop year should be 50 percent of cropland. On this basis, in determining the individual farm base, the county committees eliminated histories which were materially below, or materially above, 50 percent of cropland. In the elimination of historical years, for purposes of determining individual wheat-farm bases, it was the practice of these county committees to use reasons in the 1954 regulations without any evidence to support the reasons.

Attached to our prepared statement as the last exhibit is a map of the State of Kansas which was prepared by Gerald C. Stover, attorney and farmer of Colby, Thomas County, Kans., which shows resulting inequities.

Also attached to our prepared statement, as exhibits (1), (1A), and (1B), are copies of the summary of the wheat histories furnished by the State agricultural stabilization and conservation office for determining the Thomas and Cheyenne County histories for the purpose of making allotments for the years 1954 through 1960.

Near the bottom of exhibits (1) and (1B) have been added the cropland acres services with allotment by the respective county agricultural stabilization and conservation offices, and these cropland acres were taken from data furnished by the respective county agricultural stabilization and conservation offices. We would call attention to the committee that the Washington agricultural stabilization and conservation office has made an analysis of the Thomas County allotments and the wheat listing sheets for those years, as we understand, that these documents are still in Washington.

The histories used in computing the base acreage for these western kansas counties show a substantially higher acreage for crop years prior to 1954 than for 1954 and subsequent years. The major reason for the differences is the failure to use the true wheat farm histories in the wheat farm bases when allotments were established for 1954. For 1955 and subsequent years, the bases, although having been determined by different methods, have generally resulted in about the same base for each farm as was used in 1954.

On the 17th day of March 1960, Mr. Gerald C. Stover, attorney and farmer, above referred to, presented a prepared statement before the House Committee on Agriculture, and we here quote from that statement:

> The Kansas State agricultural stabilization and conservation office and the U.S. Department of Agriculture in Washington, D.C., have for a number of years attempted to conceal from the farmers the adverse effect on future allotments by not using the wheat farm histories in the wheat farm bases. To support this, I refer to the testimony of Carl Williams in the transcript of proceedings before the review committee of Thomas County, Kans., agricultural stabilization and conservation committee held on June 7 and 8, 1956, wherein J. E. Ziegelmeier and Ernest W. Ziegelmeier had filed applications for review. In this proceeding, at page 104, after the review committee had refused to admit as evidence the manner of establishment of 1954 allotments in Thomas County, Kan., I made, for purposes of the record, an offer of proof, and called as my witness, Carl Williams, program specialist, State office of agricultural conservation and stabilization, and Carl Williams refused to be sworn. Subsequently, in the same case, I obtained for J. E. Ziegelmeier and Ernest W. Ziegelmeier a favorable decision from Judge C. E. Birney, judge of the district court of Thomas County, Kans. In his decision, Judge C. E. Birney said:
>
> "Mr. Carl Williams was asked to testify and refused. No reason is given in the transcript for such refusal. Such conduct, of course, cannot be excused by this court and such refusal could probably require a rehearing. It marked a definite tendency on the part of the appellees to be uncooperative."

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Subsequently, at other hearings on the same issue, Carl Williams was an evasive and uncooperative witness (Public Law 85-203, as amended by Public Law 85-366).

Public Law 85-203 was enacted on the 28th day of August, 1957. None of the farmers in the western Kansas counties had any actual notice of the law before seeding the 1958 crop. On April 4, 1958, Public Law 85-203 was amended by Public Law 85-366.

Under Public Law 85-366, the county and State use the wheat farm allotments for the overseeded farms in determining county and State bases for the history of the 1958 crop year. The individual farms which overseeded, use the wheat farm base for the individual farm history. The effect of this is to require complying farms to share the loss in history occasioned by overseeding in the 1958 crop year. In view of this inequity, the 1958 history, we believe, should be eliminated through legislation or regulation, in establishing allotments for subsequent years.

The State agricultural stabilization and conservation office and the agricultural stabilization and conservation fieldmen for the northwest Kansas area were derelict in their duties for the years 1954 through 1956, in that they did not make readily available to all of the farmers in the area information concerning the handling of base acreages and allotments for overseeded farms. The years 1954 through 1956 were drought years in western Kansas, and because of this, farmers were not, at that time, overproducing marketing quotas even though overseeded, and they were, therefore, not given information concerning the handling of future bases and allotments.

Our exhibit (3) will show that 22 farmers in Rawlins County, Kans., who overseeded by 1 to 13 acres did, by an excess of 143 acres, lose to the county base acreage of 1,208 acres.

Our exhibit (2) will show that in 1958, those farmers overseeding, did overseed their base, and were subsequently caught by the provision of Public Law 85-203, as amended by Public Law 85-366, wherein base acreage was lost.

OVERSEEDING FARMS FAILING TO PRODUCE EXCESS

Under present law and regulation, farms overseeding for the crop year of 1959 and subsequent years will not lose history or allotment if they store their excess wheat in accordance with the regulations; or, if they deliver the same to the Secretary of Agriculture in accordance with the regulations. The overseeding farm may, however, lose acreage if it fails to produce an excess. This, we believe, is a peculiar provision of the law which was simply not foreseen at the time it was drafted.

We understand a bill has been introduced in the Senate by Andrew F. Schoeppel, from Kansas, which would correct this inequity, and we urge favorable action by the Congress. The bill has been reported to us as Senate bill 1580. We understand that that has since been passed and become law.

The CHAIRMAN. Yes.

Mr. BELL. The Agricultural Adjustment Act of 1938, as amended, and the regulations under which the law is administered do nothing to control the surplus of wheat. The exemption allowed to 15—

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and for the Senator from the soft wheat area, I would say that we prefer in this discussion to consider the Hard Red Winter exemption, we have no quarrel with your production—we feel that the exemption allowed to 15-acre farms and the 3 percent of the national allotment, or 1,650,000 acres allowed for new wheat farms, does more than offset the controls imposed on the commercial wheat producers.

In 1954 there were 400,000 farms producing 15 acres or less of wheat. In 1959—I think my script has an error here, the 1,800,000 farms producing there, there were approximately a million producing 15 acres or less.

The 15-acre States do annually harvest more than their allotted acreage, whereas the commercial wheat States annually harvest less than their allotment. A study of Kansas by sections reveals that the western one-third of the State, over a period of years, has not harvested in excess of its allotted acres. The central part of Kansas shows the same, and we classify the western two-thirds of Kansas as being in the commercial Wheat Belt. However, in the eastern one-third of the State, or the 15-acre farm area, they harvested in excess of their allotted acres and have contributed materially to the surplus of wheat, as shown in exhibit 4.

Exhibit 5 will show the acreage devoted to wheat in eastern Kansas had not been producing wheat in excess of the marketing quota, even though they had been exceeding their allotment. The 15-acre privilege has been giving these farmers free bushels to market in excess of their allotments. The commercial grower in western Kansas has been, during the same period, storing under bond essentially all wheat grown in excess of allotment. Therefore, we contend that the commercial area has not contributed to the surplus problem while our 15-acre neighbors have contributed substantial amounts to the surplus, and we have an exhibit, gentlemen, to illustrate the amount of wheat in the State of Kansas, and where it is stored.

Exhibit 6 is a graphic illustration depicting the overallotment farms of 1959. This exhibit 6 clearly shows the number of acres in excess of allotment for each county and the number of excess acres subject to marketing quota excess for each country. This exhibit shows further that the commercial wheat area has placed under bond or paid cash penalty for the marketing quota excess. The 15-acre area has at the same time been permitted to market the wheat from thousands of acres of land over and above their allotment without penalty.

It is our belief that the 15-acre exemption does not afford equal protection under the law for all wheatgrowers. The control program can never accomplish its intended purpose as long as the 15-acre exemption is a part of the law. We do, therefore, urge that the 15-acre exemption be reduced to zero exemption.

Definition of cropland for the purpose of our area we think is extremely important.

On the basis of the definition of cropland contained in "Farm Constitution and Allotment Record Regulations," paragraph 719.2, subparagraph (f), and on the basis of weight given to cropland in determining wheat farm bases in western Kansas counties, the county committees are adjusting histories up or down to keep close

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to the same ratio for the wheat farm base to the cropland of the farm. The result of this administration is that a new measurement often causes a change in wheat farm allotment.

A further result, and one of more serious consequence, is that farms who have without payment from the Government permitted cultivated land to go back to grass, or who have seeded the same back to grass, are losing wheat acreage base and wheat farm allotment or must cultivate the land within the required time in order to hold the old farm allotment. The practice of the farmers with respect to retirement of land from cultivation ought to be encouraged by the law and the regulations, not discouraged. This class of farmers should at least be given the same consideration with respect to their future allotments as farmers who place land in the conservation reserve. The law and regulations should be amended to encourage the practice just described.

The High Plains area of Kansas is the summer fallow belt. This type of farming involves the planting of a crop one year, the land being clean-tilled the following year. When allotments were originally native to this area, no consideration was given to this type of soil culture, although it was devoted to the production of wheat. In making allotments, the State A.S. & C. office did not interpret the regulation, wherein it is stated that all land devoted to the production of wheat should be taken into consideration, in such manner that this fallow land was considered. This matter has been taken up with the State A.S. & C. office, but to no avail. We therefore feel that it is vital to the summer fallow area that legislation be passed which will correct this inequity.

For comparison, in the Sixth Congressional District of Kansas, those counties in the eastern part of the Sixth District receive approximately 55-percent allotment of cropland for wheat planting, while in the western part of the Sixth District, the counties we represent only receive from 29 to 35 percent allotment of cropland.

Mr. Chairman, this feature of the handling of the present law in our opinion makes it impossible for us to accept the type of curtailment in production that your proposal would render.

Thirty percent of 160 acres is such a small portion when there is no other suitable crop available that it simply would mean economic ruin to those areas wherein this particular allotment factor has been applied.

The Wheat Producers, Inc., movement was initiated to aid in obtaining more equitable treatment for the commercial wheat area. We have initiated a program to get information concerning A.S. & C. rules and regulations to the wheatgrowers, so that they will know what they should do to best protect their interests.

Past experience has taught us that we cannot depend upon the A.S. & C. officer to give us the benefit of timely information, which we believe to be the fault of the State office and its field representatives. We have attempted to take advantage of all administrative remedies. Rawlins County, Kans., for example, had 566, or 79 percent, of the farmers file appeals against their 1960 allotments; 240 of these appeals were heard by review committees; 205 were classified as insufficient; 79 were withdrawn; 42 were duplications of landlord and tenant appeals.

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The Rawlins County experience points up the review committee procedure as an unsatisfactory method of resolving inequities. For example, three Rawlins County farmers; namely, Floyd Frisbie, Wayne Harper, and Laddie Kacerik, appealed from similar circumstances. All three had broken and cropped land since 1950 and were given no base on that new land. On appeal, two received acreage based on this newly cultivated land while the third was denied any base on the acreage he had broken and cultivated.

The entire review procedure is prejudiced in favor of the A.S. & C. office and committee hearing appeals, and the farmer has little or no chance of getting correction of any inequity through the review procedure. The A.S. & C. regulations for the past several years have been directed toward easing administrative problems. There has been no consideration given to the promulgation of regulations which would tend to remove inequities.

We request that A.S. & C. regulatory powers be completely reviewed by the Congress of the United States, and that consideration be given to curtailing and channeling those regulations.

Less inequities would result in the High Plains area of Kansas, if all cropland, which includes summer fallow ground, would be considered in the making of allotments so that we would be receiving the same percentage of allotment as the eastern part of the State where continuous cropping is the practice. We could, in the area we represent, disregard our soil conservation practices, which we might add are purely on a voluntary basis, and continuous crop our land in order to receive what we feel rightfully belongs to us. As it is, we were penalized in the beginning of this present program for our voluntary soil conservation practices, and nothing has been done by way of corrective measures.

We feel that we have exhausted all other means of correcting the inequities that exist in the 1938 Agriculture Adjustment Act, as it affects the commercial wheat area.

Farmers are a particularly determined class of people and are not inclined to give up their farms, or farming operations, until they are put out of business by the present farm program, which is happening at the rate of 4 percent annually, or until they are bankrupt. We can stand competition, but we cannot stand strangulation. By "competition" we mean that we, in western Kansas, produce the best quality wheat in the Nation and have been able to market that wheat at a figure equal to or in excess of the support price for the past several years, notwithstanding that we have a 31-cents-a-bushel freight charge from our plains of growing to the Kansas City market. Because of this demand for this quality raised in this area, we are not contributing to the surplus problem, but rather, it is coming from the 15-acre areas where quality wheat cannot be grown because of adverse growing conditions for its production.

Gentleman, I would like to offer an observation, and I checked this with the Kansas Wheat Improvement Association recently. They tell me that Bison wheat, which is a strong, good, and high quality wheat, grown in Rawlins County, will have different baking qualities than the same variety grown a few miles south, south of the Smoky Hill River.

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That gets back, Senator, to your comment relative to soil and climatic conditions. They may have the same protein content, but their ash content runs considerably higher, and therefore their mixing time and the baking qualities of the same variety will deteriorate.

We come now to this committee and request the following: that congressional action be taken to correct the inequities under which we have been operating.

I would like to strike our final No. 2 statement that we have prepared and say that after attending yesterday's hearing, we will look kindly on the proposal submitted to this committee by Mr. McLain. We feel that it offers a possibility of getting back to it, getting the wheat production back into its normal control areas.

(Exhibits 1 to 7 referred to follow:)

EXHIBIT 1

Thomas County

County wheat history	Wheat allotment years						
	1954	1955	1956	1957	1958	1959	1960
1943	297,621						
1944	267,360	267,360					
1945	274,350	274,350	292,000				
1946	275,100	275,100	293,000	293,000			
1947	338,444	338,444	356,500	356,500	364,370		
1948	257,143	257,143	275,000	275,000	281,022	281,022	
1949	319,477	319,477	337,000	337,000	344,380	344,380	344,380
1950	262,124	263,671	282,000	282,000	288,176	288,176	288,176
1951	282,960	282,209	300,000	293,313	299,737	299,737	299,737
1952	339,218	312,476	330,500	325,211	335,480	333,480	335,480
1953		255,815	273,702	(292,690)	(299,100)	(299,100)	(299,100)
1954			270,990	267,210	273,990	273,990	273,990
1955				274,290	275,863	275,863	275,863
1956					276,335	276,335	276,335
1957						281,649	281,649
1958							243,859
(a) 10-year average	291,380	284,604	301,070	299,621	303,839	295,573	291,857
(b) Short-term average	[1] 301,636	[1] 285,438	[1] 281,892	[2] 284,302	[2] 292,154	[3] 281,387	[3] 270,339
(c) Preliminary base	295,603	284,604	287,530	289,988	297,996	288,480	280,272
(d) State committee adjustments		289,442	293,270	292,888	296,506	293,704	286,422
(e) County allotments	221,129	[4] 190,016	193,264	195,635	196,486	194,198	191,018
Cropland acres	523,816	548,256	550,736	555,893	565,057	561,929	559,314

[1] Average of 5- and 2-year period.
[2] Average of 5- and 3-year period.
[3] Average of 5-year period.
[4] Allotment increased 1,247 acres from State reserve to total of 191,263 because Garvey Farms were missed in both Wallace and Thomas Counties.

NOTE.—The cropland acres shown herein were supplied by the Thomas County Agriculture soil and conservation office to Gerald C. Stover and were not a part of the data furnished by the State agriculture soil and conservation office.

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EXHIBIT 1a

Thomas County base[1] acreage and histories

Year and wheat acres plus adjustment	History, adjustments, and county base for 1957	History, adjustments and county base for 1958	History, adjustments and county base for 1959 (used 1958 acreage)	History, adjustments and county base for 1960 (used 1958 acreage)
Transferred farms factor	None	1.0219		
1946 (AMS) wheat acres plus war crop credit	293,000			
1947 wheat acres plus war crop credit	356,500	364,307		
1948 wheat acres	275,000	281,022	281,022	
1949 wheat acres	337,000	344,380	344,380	344,380
1950 wheat acres plus diversion credit	282,000	288,176	288,176	288,176
1951 wheat acres plus diversion credit	293,313	299,737	299,737	299,737
1952 wheat acres	325,211	335,480	335,480	335,480
1953 wheat acres (after adjustment for abnormal weather)	292,690	299,100	299,100	299,100
1954 wheat acres plus diversion credit	267,210	273,990	273,990	273,990
1955 wheat acres plus diversion credit	274,290	275,863	275,863	275,863
1956 wheat acres plus diversion credit		276,335	276,335	276,335
1957 wheat acres plus diversion credit			281,649	281,649
1958 wheat acres plus diversion credit				243,859
10-year adjusted average	299,621	303,839	295,573	291,857
5-year average	290,542	292,154	281,387	270,339
3-year average	278,063			
Midpoint of 5- and 3-year average	284,302			
Preliminary base[2]	289,988	297,996	288,480	280,272
State committee adjustments of preliminary base	101.0	99.5	101.8	102.2
Final base	292,888	296,506	293,704	286,422
Cropland acres	555,893	565,057	561,929	559,314
Pre-1954 average	[3] 306,839	[4] 316,028	[5] 307,982	[6] 313,375
1954 and subsequent years' average	[7] 270,750	[8] 275,396	[9] 276,959	[6] 270,339
Average of years before 1954 is the following percentages of county base	104.76	106.58	104.86	109.41

[1] Public Law 85-203 amended by Public Law 85-366 caused the 1960 Thomas County base acreage to be reduced as follows: The sum of the base acreages, of individual farms, 279,895; county base, 243,859; difference, 36,036: caused reduced 10-year average, 3,604; caused reduced 5-year average, 7,207; caused reduced preliminary base 5,405 times State factor 0.66691 equals 3,604 loss.

[2] Preliminary base for 1960 adjusted down by Grain Division Office of Commodity Stabilization, 0.99706124.

[3] 8 years. [4] 7 years. [5] 6 years. [6] 5 years. [7] 2 years. [8] 3 years. [9] 4 years.

NOTE.—Reason for averages during years before 1954 being higher than subsequent years is that histories for 1952 and 1953 were not reflected in Thomas County base acreages for individual farms. Historical average for those years in 1954 was 284,027 acres, sum of wheat farm bases was 262,184.

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EXHIBIT 1b

Cheyenne County

County wheat history	Wheat allotment years						
	1954	1955	1956	1957	1958	1959	1960
1943	153, 859						
1944	149, 020	149, 020					
1945	168, 130	168, 130	168, 130				
1946	172, 000	172, 000	172, 000	173, 892			
1947	185, 713	185, 713	185, 713	187, 756	191, 511		
1948	190, 284	190, 284	190, 284	192, 377	196, 225	196, 225	
1949	186, 867	186, 867	186, 867	188, 923	192, 701	192, 701	192, 701
1950	171, 398	191, 463	191, 463	193, 569	197, 440	197, 440	197, 400
1951	174, 789	172, 767	174, 527	176, 215	179, 739	179, 739	179, 739
1952	197, 284	194, 346	196, 667	199, 405	199, 844	199, 844	199, 844
1953		157, 153	(159, 249)	(177, 664)	(181, 217)	(181, 217)	(181, 217)
1954			169, 214	170, 693	172, 953	172, 953	182, 953
1955				168, 474	172, 527	172, 527	172, 527
1956					174, 758	174, 758	174, 758
1957						178, 735	178, 735
1958							140, 979
1959							
1960							
(*a*) 10-year average	174, 934	176, 774	179, 411	182, 697	185, 892	184, 614	179, 089
(*b*) Short-term average	[1] 185, 078	[1] 178, 134	[1] 171, 228	[2] 175, 184	[3] 180, 260	[3] 176, 038	[3] 167, 990
(*c*) Preliminary base	181, 376	176, 774	174, 653	178, 688	183, 074	177, 843	173, 030
(*d*) State committee adjustment	181, 376	177, 658	176, 770	178, 688	181, 428	179, 614	176, 480
(*e*) County allotment	135, 680	116, 631	116, 491	119, 355	120, 227	118, 761	117, 697
Cropland acres		401, 598	399, 887	398, 361	402, 270	396, 840	396, 458

[1] Average of 5-year and 2-year period.
[2] Average of 5-year and 3-year period.
[3] Average of 5-year period.

EXHIBIT 2

Year	Number of farms	Allotment (acres)	Seeded acres on destruction date	Number of farms overseeded	Percent of farms in compliance	Percent of allotment seeded	Seeded acres and diversion crop history for year	Allotment base after State adjustment
1955	803	126, 986	129, 652	112	86	102. 1	179, 467	184, 840
1956	801	127, 221	123, 498	151	81	97. 1	180, 219	185, 460
1957	845	126, 644	118, 978	253	70	93. 4	183, 679	184, 076
1958	943	129, 439	161, 203	440	57. 6	124. 4	154, 528	186, 192

NOTE.—In 1958 the 440 overseeded farms had a base of 103,809 acres and they seeded 105,466 acres on an allotment of 72,133 acres.

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EXHIBIT 3

Farm No.	Township	Cropland acres	Year	History	County established base	Acres of allotment	Acres seeded	History credit	Acres in excess	Acres of base lost
E 61	Bntwood	607	1955	295	295	203	209	209	6	86
E 191	do	429	1955	206	206	142	155	155	13	51
E 505	do	582	1955	250	250	172	173	173	1	73
F 113	Celia	124	1955	62	62	43	47	47	4	15
F 7	do	191	1955	155	96	66	69	69	3	27
R 4	Richland	376	1955	157	157	108	109	109	1	48
R 418	do	210	1955	90	95	65	77	77	12	18
427	Atwood	166	1955	130	86	59	60	60	1	26
347	Driftwood	347	1955	215	175	120	128	128	8	47
818	do	818	1955	322	376	258	265	265	7	111
615	Archiles	274	1956	148	125	86	91	91	5	34
E 103	Bntwood	492	1956	258	220	159	162	162	3	58
E 120	do	317	1956	181	150	103	113	113	10	37
E 172	do	264	1956	124	124	85	89	89	4	35
E 68	do	664	1956	346	325	203	208	208	5	117
F 594	Celia	447	1956	223	220	151	154	154	3	66
366	Bntwood	582	1957	176	263	181	190	190	9	73
F 328	Celia	391	1957	167	173	119	129	129	10	44
215	Ludell	564	1957	220	251	173	183	183	10	68
454	Herndon	384	1957	180	190	131	140	140	9	50
0-50	do	182	1957	96	90	62	66	66	4	24
I-5	Elk	179	1957	70	80	55	57	57	2	23
	F. Sawer-Bntwood	647	1957	277	290	200	213	213	13	77
	Total								143	1,208

EXHIBIT 4

Allotments and harvested acres compared

[In thousands]

Year	15-acre States		Commercial States	
	Allotment	Harvested acres	Allotment	Harvested acres
1951	16,348	14,759	55,943	46,321
1952		15,880		54,679
1953		16,953		50,209
1954	13,392	12,916	49,021	41,021
1955	11,933	12,215	43,523	34,680
1956	11,762	12,642	42,886	36,668
1957	11,720	12,445	42,962	30,437
1958	11,744	12,342	42,925	40,379
1959	11,931	12,568	42,662	39,882

Year	Western Kansas		Central Kansas		Eastern Kansas	
	Allotments	Harvested acres	Allotments	Harvested acres	Allotments	Harvested acres
1954	4,697,501	3,259,000	5,748,026	5,462,000	1,358,078	1,348,000
1955	4,159,092	2,848,000	5,094,971	4,417,000	1,200,024	1,294,000
1956	4,137,628	3,004,000	5,190,752	4,874,000	1,218,483	1,366,000
1957	4,162,612	928,000	5,192,036	3,042,000	1,229,260	1,299,000
1958	4,163,727	4,316,000	5,211,423	5,012,000	1,241,781	1,263,000
1959	4,120,646	4,039,000	5,184,474	5,059,000	1,247,240	1,387,000
1960	4,108,274		5,237,396		1,269,330	

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EXHIBIT (5)

TOTAL AMOUNT OF MARKETING QUOTA EXCESS WHEAT REMAINING IN STORAGE, BY CROP YEARS, AS OF DECEMBER 31, 1959
Data furnished by State ASC Office

	State Total
1. 1954 Excess in bushels - - - - -	-10,248
2. 1955 Excess in bushels - - - - -	29,580
3. 1956 Excess in bushels - - - - -	40,663
4. 1957 Excess in bushels - - - - -	690,235
5. 1958 Excess in bushels - - - - -	4,277,898
6. 1959 Excess in bushels - - - - -	1,648,215
	6,676,353

KANSAS PROJECT MAP

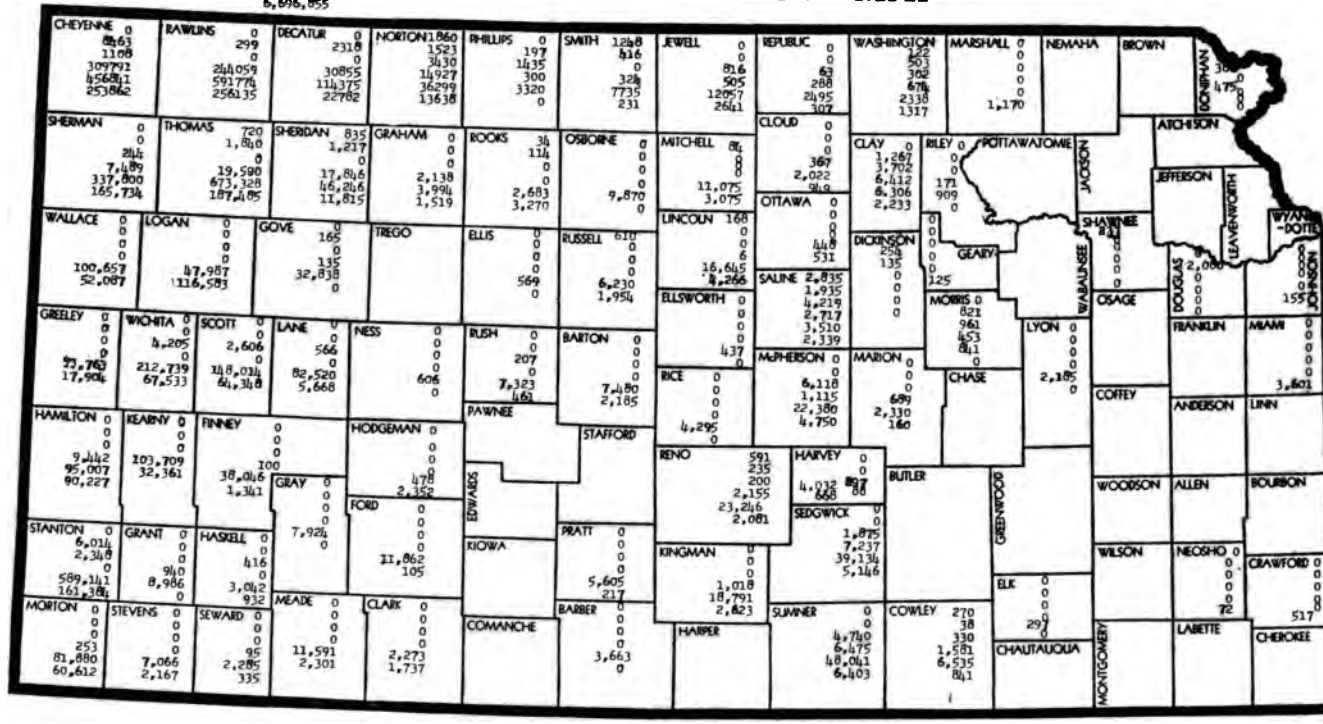

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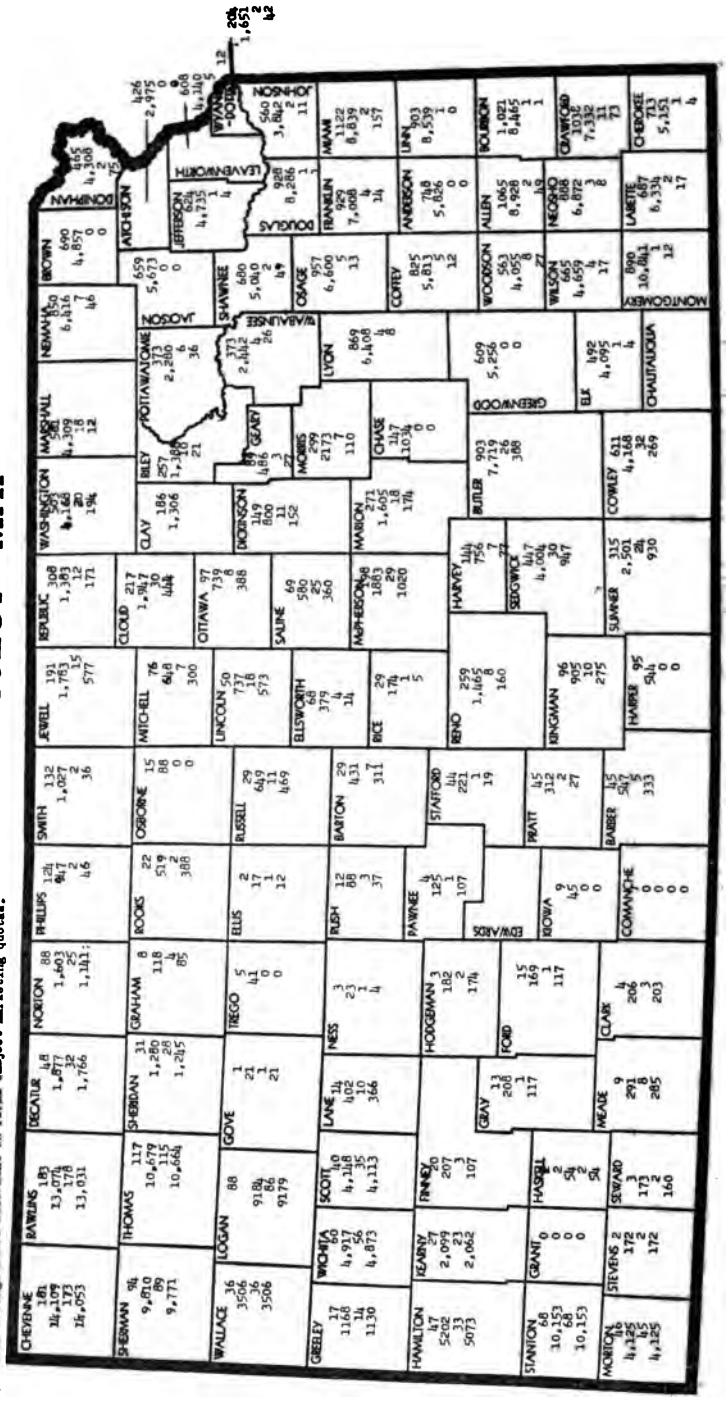
EXHIBIT (6)

DATA CONCERNING OVER-ALLOTMENT WHEAT FARMS - 1959 CROP YEAR - KANSAS
Data Furnished By State ASC Office

KANSAS PROJECT MAP

1. Number of over-allotment farms
2. Total acres above allotment
3. Number farms subject to Marketing Quotas (final determination)
4. Total acreage above allotment on farms subject marketing quotas.



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(NOTE.—Exhibit 7 is identical to chart facing p. 144.)

The CHAIRMAN. I am going to submit your statement to the Department. I believe that something might be done administratively; I don't know.

Mr. BELL. I was over there yesterday, Senator, and referred to Mr. McLain, and gave him a copy of our proposal.

The CHAIRMAN. What did he say?

Mr. BELL. He asked me to further check some of these feelings.

Now, I am sorry that I do not have a complete report of the hearings that have been scheduled in my county. They have not even answered my hearing on my own farm at this time.

Now, by way of background, Senator, I have a copy of a resolution that was drawn at a mass meeting in my area last July following the announcements for the 1960 allotment. And I would make that available to you if you are interested.

The CHAIRMAN. Well, I believe that this matter can be straightened out, if at all, administratively. In any event, I can assure you that we will give consideration to that.

Mr. BELL. The prime reason, Senator, that we wanted to bring this to your attention was that we are aware of your problems up here, and if it should be—if this Congress should come out with a cut of 20 or 25 percent, we can just draw a line across western Kansas, and we know how many of those fellows can't—there just isn't sufficient operation leeway to stand that sort of a cut. We have had it prior.

Senator YOUNG of North Dakota. Of course, you would get your payment in kind, which would help considerably; would it not?

Mr. BELL. That would help somewhat, Senator.

Of course, we are running so close—I checked with five farm management associations relative to the income tax that these men have paid in this area and the area immediately south of us, and for the most part in 1958 and 1959 those farmers were showing a net income less than the interest that should be earned on the value of their land, if you see what I mean.

So our contention is that even a 10-percent cut would actually be a further cut on that very small margin that they now have.

Senator YOUNG of North Dakota. I have raised wheat all my life, too; and I fear that the lowering of prices as in the administration's proposal, Secretary Benson's proposal—you will get it down to about 90 cents a bushel support before long, because you take 90 percent of the previous 3 years' average cash price as a sufficient price—I think you would get prices so low that most farmers would be bankrupt.

Mr. BELL. I appreciate your comment, Senator.

I did calculate in my own county that without supports in 1959, if we had been on the corn basis program in 1959 in Rawlins County, the 20-percent additional production would have brought in enough more bushels that the total value of the wheat in Rawlins County would have been a quarter of a million dollars more than under this program.

Senator YOUNG of North Dakota. If you get some semblance of a fair price with price supports and production controls, I would certaintly be for it.

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Senator HART. I have the impression, Mr. Bell—when you addressed me earlier I was reading your statement and I did not get the full import of your comment to me—and for the record, let me see if I am straight on this.

You direct sharp criticism in the statement at the 15-acre exemption, citing that in eastern Kanasas where it is used it contributes to the surplus, whereas you in western and others in central Kansas do not.

Now, all of the wheat grown in Kansas, virtually all, I take it, is hard wheat; am I correct?

Mr. BELL. You are correct, sir; it is Hard Red Winter variety.

Senator HART. And am I permitted to read your statement as excluding from this indictment of the 15-acre operation the soft wheat about which we had earlier testimony in this matter?

Mr. BELL. That is correct, sir. That was the reason I directed my remarks, when we directed this brief we had reference to the Hard Winter problem, which is our problem, and we have no feeling of getting into your problem.

Senator HART. Thank you. I thought that was your observation.

The CHAIRMAN. Do you wish to say anything, Mr. Kite?

Mr. KITE. No.

The CHAIRMAN. Thank you.

Senator SCHOEPPEL. Before we close with Mr. Bell and Mr. Kite, I want to emphasize that Mr. Bell represents an association of several thousand members in northwestern Kansas. Some of the things that he has pointed out are matters that should receive consideration by the Department of Agriculture. Whatever we do in this agricultral picture, I think some type of action is required so that the regulations would be more equitable than they have been in this area, and not only in that area, but in certain other areas of my State.

I have known both of these men for a good long while, and they are earnest, representative people. Claude Bell knows the farming business from A to Z and has been at it a long while, and has given long thought and study to some of these problems. It is well that it has been brought before us for consideration as we approach the time to make these changes in these laws.

The CHAIRMAN. All right.

Mr. Duncan.

STATEMENT OF RUSSELL DUNCAN, FARGO, N. DAK.

Senator YOUNG of North Dakota. Mr. Chairman, I would like to say that Mr. Duncan is a farmer and seed dealer in North Dakota, a very good farmer in the heart of the Durum wheat area, and one who has given a great deal of thought to this wheat problem.

The CHAIRMAN. We will be glad to hear from him again.

Proceed, sir.

Mr. DUNCAN. Before I begin my testimony, I should like to thank this committee for giving consideration to my proposal to solve our wheat difficulties. This is the No. 1 problem of agriculture.

It has become apparent that the present farm program is not working as we all thought it would. However, with a few changes that I would like to suggest, I am sure that it will be a big improvement.

There seems to be so much feeling against a so-called surplus, but

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in reality if the normal carryover and next year's seed were deducted, it would eliminate approximately one-third of the surplus. Then it would seem to me that every fairminded citizen would like to know that he had a few months' food in advance for his family.

In Egypt in Bible times, they stored up 7 years' crop for the 7 years' drought to come. Seven years' drought could happen here in America. We wouldn't want to put ourselves in the position of asking Russia for food.

We have the opinion that we have increased our producing ability with better and bigger machinery, better seed and fertilizers, and new techniques and that nothing can reverse this trend. It is nice to build up our ego, but I farm 3,200 acres of land at Calvin, N. Dak., and use the best farming practices that I know of. I also have a seed company in Fargo where we endeavor to collect and process the best and newest varieties of seeds and services for agriculture.

Through the last 25 years that I have farmed, I can say that we have had some very lean crops, even though we have used the best of everything. We must realize that we have the elements to contend with in producing food and they are no respecters of persons.

I very vividly remember the depression years and realize that one of the causes of it was that the buying power of the agricultural segment of our economy was almost nil. When that happens, industry soon loses its ability to keep people on the payroll. Those same conditions could happen even quicker and with much more devastating effect today than in the last depression.

Even though American farmers comprise approximately one-eighth of the Nation's population, they still provide roughly 75 percent of the buying power in our economy, and we can readily see how quickly manufactured products could back up in our warehouses and labor go begging for jobs. In other words, as agriculture goes, so goes the Nation.

Agriculture is caught in that unique situation in that it has to produce to survive. A wheat farmer, for instance, who knows what his fixed expenses will be for a year, will have to produce that many more bushels of wheat to pay those expenses if the price of wheat is allowed to go below 100 percent of parity, thus adding to our overproduction and storage problem which we are facing today. It isn't the American farmer's fault if he is supposed to be overproducing, but, rather, it indicates that industry has not found new uses for the surplus and that transportation and politics have made it impossible to get this surplus to the hungry people of the world.

This is America, and our very existence and growth have been brought about by our expanded and ever-expanding producing ability. We must consider it a blessing rather than a detriment. In the next few years our population will double and then our producing ability will become a necessity in order to survive in this family of nations.

We may be real sure that some other nations not of our philosophy are real willing to sell and make available their food to underfed people, and of course, with their food, they are also trying to sell their way of life. Yes, food can become America's greatest force for peace on earth.

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Any well-managed business must have a surplus to function safely, how much more so when we are dealing with food for the human family.

I would like to propose a plan that I have spent a lot of time thinking through, and here it is:

1. I propose that we go to bushel allotments instead of acre allotments. I believe that grades should be set up for wheat by the areas where these grades are raised, such as hard red spring wheat, winter wheat, soft wheat, and durum. Bushel allotments could be based on demand for the particular grades of wheat arrived at by the average yield for that area.

For instance, if the average yield for Hard Red Spring wheat was 14 bushels per acre and the average consumption was 14 bushels, times the allotted acres for that area that produced that market grade, then all the crop would be moved into the channels of cash wheat and consumed at 100 percent of parity. If the demand took more than 14 bushels times the allotted acres, then we would draw from the reserve in "on the farm storage." If the demand were for less than the average, then the extra bushels would go into the farm stored reserve with the storage paid by the Government.

2. I further propose that the grower get 100 percent of parity for the wheat that is used nationally, and that parity be figured on the past 3 years always. As each year passes, drop off the oldest year and add on the year just passed.

3. I further propose that the wheat not used nationally, whether it be 15 percent, 20 percent or 30 percent, must be sold at world prices to hungry nations. Russia today is making great strides in the production of food and it is quite obvious, as was so clearly demonstrated in China, that food is a powerful weapon for winning over nations in need. If we are to curtail our farm production without regard to what Russia is doing, it could very well lead to a deplorable situation in our negotiations with nations who need food and have no means of helping themselves.

I do not believe that the full means have been explored in disposing of surplus farm products. Needy people at home could use a great deal more food if they had the means to purchase it.

If this excess production is not disposed of in this manner, it then must be stored on the farm. It would then be at the discretion of the farmer as to whether or not he wanted to save 2 years' surplus, for instance; then not seed wheat the third year and use this surplus to fill his quota. The farmer would receive a storage allowance on the farm. This would basically be the ever-normal grainery in operation and would provide a normal income for the farmer year after year at 100 percent parity. In this way, the Nation would be assured a food supply and the farmer would have a steady buying power rather than alternating between boom and bust.

Senator MUNDT. We can be assured only of the farmer getting a hundred percent parity price for the portion of the grain consumed at home, and it would not assure him of a hundred percent parity income each year.

Mr. DUNCAN. I didn't get what you said.

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Senator MUNDT. You said "This would basically be the ever-normal granary in operation, and would provide a normal income for the farmer year after year at 100 percent parity."

Mr. DUNCAN. Yes.

Senator MUNDT. I do not think so. I think it would provide him only with a hundred percent price for his wheat to the degree that it is consumed nationally.

Mr. DUNCAN. Nationally, yes.

Senator MUNDT. Then he would get not a hundred percent parity income but a hundred percent parity price for the part of his crop, which is consumed domestically?

Mr. DUNCAN. That is right.

4. I further propose that a great deal more effort be put into research to find new industrial uses for wheat, especially the sample grades, thus eliminating the cost of storing anything except the highest grades of wheat.

5. I further propose that the Government stop all storage payments and handling payments on all wheat in terminals and public warehouses, at this wheat will be readily absorbed in the channels of trade, because it would represent that portion of the crop that would be sold for national consumption. This would restore normal competition in the marketing and distributing of cash wheat.

It seems imperative to national defense to have the excess wheat stored on the individual farms rather than to have it stored in large concentrations in a few spots where one dozen bombs, for instance, could destroy that many locations in a matter of minutes, thereby destroying a large percentage of the food supply. Also, this would leave the terminals free to handle the nationally consumed wheat in an efficient and orderly manner.

This plan would, in a few years, eliminate our surplus and still have a carryover on the individual farms that could be tapped quickly when needed. It would also eliminate the costly terminal storage problem.

We must maintain a healthy balance between agriculture and industry. One hundred percent of parity simply means that one dollar's worth of wheat will buy one dollar's worth of steel.

The annals of history are filled with records of prosperous nations that are now extinct because they foolishly neglected their food supply. This could happen to America too.

It is my hope that out of this committee will come recommendations to Congress that will be the nucleus of a permanent, progressive farm program. We all agree that our present farm situation is serious. It is a national problem. We must all work prayerfully together for the solution.

The CHAIRMAN. Mr. Duncan, you have a 3,200-acre farm, I notice here?

Mr. DUNCAN. Yes.

The CHAIRMAN. How much of it is in wheat?

Mr. DUNCAN. Our base is about 38 per quarter.

The CHAIRMAN. That would be how many acres?

Mr. DUNCAN. We have a 675-acre base.

The CHAIRMAN. 675?

Mr. DUNCAN. Yes.

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The CHAIRMAN. Now, how much of your wheat goes into the loan? I am just trying to apply your formula here to your own farm. How would it work, in other words?

Mr. DUNCAN. Well, I would say our particular situation, we raise seed, and we raise all certified seed, and we store this seed on the farm and process it during the winter and sell it for seed the next spring, and then as soon as the seeding season is over, we put it on the market.

The CHAIRMAN. You do not raise wheat, then, for the general market? You just produce seed?

Mr. DUNCAN. We plan to produce seed, but there is always some that doesn't make seed quality, so we put that in the market.

Senator YOUNG of North Dakota. You raise Durum wheat exclusively?

Mr. DUNCAN. Yes.

Senator YOUNG of North Dakota. And that has been selling for about 20 percent above support prices?

Mr. DUNCAN. Yes.

The CHAIRMAN. And there is no surplus of that?

Senator YOUNG of North Dakota. No. And it has been selling above support prices.

The CHAIRMAN. So the proposal that you have made would be peculiar to a certain area of the country, but when you consider the country as a whole, I am just wondering if your suggestions here would work.

Mr. DUNCAN. Well, we can go back to this No. 1, I propose that we go to a bushel allotment instead of acre allotments, I believe that grades should be set up for wheat by the area in which these grades are raised.

The CHAIRMAN. According to that, if you would take the area in Kansas or in North Dakota or wherever you go with Durum wheat, you would not need protection. You sell it all—as a matter of fact, we passed special laws affecting Durum, and as Senator Young has just stated you get, how much above——

Senator YOUNG of North Dakota. 20 cents a bushel above the last year.

Is that right?

Mr. DUNCAN. Yes.

The CHAIRMAN. But when you go to the northwest in Oregon and other places where they produce the Soft wheat in abundance, and more than the Nation needs, I wonder how your program would work there.

Mr. DUNCAN. Well, there are areas of North Dakota, you see, that raise Hard wheat too. There is only a very small area in North Dakota that raises Durum. And my feeling on this is that there isn't much point in us raising and storing and making a burden on the market a quality of wheat that isn't in demand. If there is a demand for a certain kind of wheat, then the area should raise that certain kind of wheat.

The CHAIRMAN. What would you do with the other areas that grow nothing but the Soft wheat which is not as much in demand as the Durum? What would you do with those areas?

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Mr. DUNCAN. I think what we should do—I think we might realize that we have a growing Nation and a growing demand, and perhaps we have just sat back and expected the Government to find a market for our wheat and take care of us. Maybe we should try to develop a market for each one of these particular grades. We have organized in North Dakota a wheat commission, and they have been to several countries of the world and interviewed these groups of people who are hungry, and by the mere fact that they are hungry indicates that no one else has furnished——

The CHAIRMAN. We would have to pay for that?

Mr. DUNCAN. How do you mean?

The CHAIRMAN. Who would pay for feeding hungry people; the Government?

Mr. DUNCAN. Often these governments take care of this. I wouldn't be in favor of——

The CHAIRMAN. I would not be too optimistic about that, because once you start giving it to them it is pretty hard to make them buy it from us.

Mr. DUNCAN. I am not in favor of giving it to them, I mean making it available to them.

The CHAIRMAN. Are there any further questions?

Senator MUNDT. As I understand your proposal, Mr. Duncan, you propose as to each type of wheat to make a study to determine how much national consumption there is of that type of wheat?

Mr. DUNCAN. Yes.

Senator MUNDT. And then you give a wheat certificate, to use the phrase of the witnesses we listened to earlier, you give a fellow a wheat certificate, if the demand is 50 percent of what he raises, he gets a wheat certificate for 50 percent, which he sells at parity, and if he raises more than that he can store it and the following year he can sell that 50 percent for parity, and he has to sell it at the market price, whatever the market price; is that right?

Mr. DUNCAN. Yes.

Senator MUNDT. So that in Durum wheat there would be no problem, and in this type of Soft wheat that we heard about from the representative of Pillsbury, apparently there would be no problem, because they are getting in a tight supply, so that you would limit your application to the types of wheat which are in surplus.

The CHAIRMAN. I understand that, but the problem would still be there.

Mr. DUNCAN. Well, it would reduce a terrific lot of work for the Federal Government, and expense also, it seems to me.

The CHAIRMAN. As for the wheat that is grown in surplus, would you try to prevent the growth of it?

Mr. DUNCAN. That is grown in surplus?

Yes, as I say, I see no point, and sure it has been brought out in history, that there isn't any point in producing anything that we don't need.

The CHAIRMAN. That is what a good many people tell us about this wheat program, that is why we ought to curtail it.

Mr. DUNCAN. We still have that possibility, and a chance to get out and develop a market for it.

The CHAIRMAN. Any further questions?

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If not, we want to thank you.

Senator Carroll was supposed to appear before us, and I understand he is unable to come at the moment. The record will remain open, let's say, until the middle of next week for the purpose of receiving such statements as Senators or others may want to file.

The committee will stand in recess, then, until 10 o'clock next Tuesday.

(Whereupon, at 1:05 p.m., an adjournment was taken until 10 a.m., Tuesday, April 25, 1960.)

(Statements filed for the record are as follows:)

STATEMENT FILED BY HON. WALLACE F. BENNETT, A U.S. SENATOR FROM THE STATE OF UTAH

Mr. Chairman, during the past 2 weeks, the wheat farmers of my State, aware of the activities of Congress in trying to come up with an adequate wheat bill, have voluntarily swamped me with mail giving me their opinion of current and proposed wheat programs. I would like to pass these views along to the committee for consideration in its deliberations.

First, let me indicate to the committee Utah's role in the wheat industry. Utah's wheat production in the allotted acreage varies from 5 million to 9 million bushels per year. Production in 1959 totaled 5.4 million bushels from 231,000 acres. Generally about one-third of Utah's output is in wheat, mostly from irrigated farms, and two-thirds is in winter wheat, mainly from dry farmland.

When measured with major wheat-producing States, Utah's production is not very large, averaging only about 0.6 percent of the Nation's total. Wheat output represents 4.8 percent of cash receipts from farm marketing in my State. Utah is generally listed as a wheat-deficient State. That is, shipments into the State exceed shipments out of the State. However, this is due to the very important wheat flour milling industry in Utah which assembles the wheat from surrounding States for the production of flour to be marketed throughout the West. Thus, the importance of wheat to the economic health of my State cannot be assessed solely in terms of Utah's relatively small proportion of the Nation's total output of wheat.

I would like to emphasize that Utah growers produce a quality wheat. Even though it is not the major crop in my State, we are not for a program that would take away Utah's right, through reduced acreage, to produce millable quality wheat. Utah's wheat is moving into the market. Very little is going into storage. For example, approximately 8 percent of the 1959 crop went into storage, but only 3 percent remained there.

Since I am not a member of this committee, I will not attempt to suggest to you any detailed specific recommendations, but I do wish to pass along my recommendations for a general policy framework, as I have received it from the wheat farmers of my State. Practically all of the Utah wheat farmers, as measured by my very heavy correspondence on this topic, believe we should move steadily and resolutely toward freedom for agriculture. They realize that this cannot be done overnight, but at least we should be moving toward freedom and not away from it. The wheat farmers in Utah favor a reduction of artificial production incentives. And they are aware that the burden of adjustment in the wheat problem should not be shifted to producers of other farm commodities. In this connection the wheat farmers of my State, for example, would support a proposal to relate wheat price supports to the support level for corn, both being important for feed purposes. And they have expressed the view that the price-support policy for wheat should take into account supply and demand conditions as reflected in the marketplace, and should be gradually moving toward a free market price.

In making necessary adjustments there may have to be some measure of protection for our farmers from the competitive effects of Commodity Credit Corporation sales of current wheat surpluses.

As a necessary adjustment policy to cushion the effect of the proposed removal of production controls and the lowering of price supports, the wheat far rs of my State support a substantial increase in the conservation reserve

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program designed to reduce production while at the same time providing the farmers with rental payments in lieu of their production.

Even an expanded conservation reserve program, for example, up to a total of 60 million acres by 1963 as proposed by the administration, will still cost only about half of the present annual cost to store wheat surpluses.

The wheat farmers of Utah are alarmed about the huge carryover of wheat stocks totaling 1.3 billion bushels and that carryover is still growing. This represents a Government investment of about $3.5 billion and means a cost to the taxpayers of about $1.25 million per day. This is the kind of unhealthy situation that our current programs have created, and these programs were enacted by Congress.

It's time for a change and that change should be in the direction of freedom from Government controls and a price-support structure related to current market levels, with the hope that wheat farming and agriculture in general can be put back on its own feet in the not too distant future. I think I can assure you that a majority of the wheat farmers, the producers of other farm commodities, and the taxpayers in my State support such a position.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
April 20, 1960.

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: It is our hope that the Committee on Agriculture and Forestry will report favorably the proposal on wheat made by the National Wheat Growers Association, supported by the National Farmers Union and the Grange.

Although cost of export subsidies for wheat may rise under the proposal, the overall cost of the wheat program will be greatly reduced and it will be much more economical to the Government. Under the circumstances, we feel that the desire of the wheat producers to try such a program should be honored.

If the committee does not see fit to adopt the wheatgrowers' proposal, we urge you to adopt a high level of price support, together with the allotments necessary to bring production into line. While further reductions in acreage will work a hardship on wheat farmers, they have never refused to accept necessary allotments in a referendum and, in our judgment, will not refuse to cooperate if assured of a fair return for the wheat they are permitted to grow. This support level should be at least 90 percent of parity.

Sincerely yours,

JAMES E. MURRAY.
MIKE MANSFIELD.

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